

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

NOVEMBER 1955



BANKS ARE PEOPLE: An Aid to Bank Recruitment (see pages 3 and 109)

Monetary Policy and the Present Credit Situation (page 36)

The Senate Bank Holding Company Bill (page 52)

The Convention Said Business Is Fine, But . . . (page 79)



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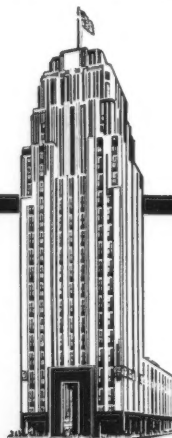
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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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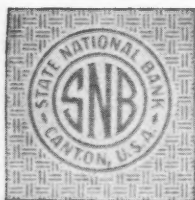


Mr. Johnson's bills are paid . . .

Some people still spend hours walking and waiting in line to pay bills . . . but more and more walk only as far as the mailbox. It's so much easier and *safer* to pay by check! But the service your bank's checks give your customers need not stop there. Not when they are lithographed on La Monte Safety Papers. With them you can give your customers the satisfaction that goes with using a product of obviously fine quality . . . quality that also does justice to your bank. Why not investigate La Monte Safety Papers now? For over 80 years, they have been the first choice of a majority of the country's leading banks.

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JUST A MINUTE

Were You There?

If the answer is Yes, the drama, bigness and educational value of that 81st annual convention of the American Bankers Association in Chicago are still vivid memories. If the answer is No, this issue of **BANKING** tries to recreate the four days.

For drama, there was the contest for the vice-presidency following the uncontested election of President Fred F. Florence, president of the Republic National Bank, Dallas. The association's second office was filled by Erle Cocke, vice-chairman of the Fulton National Bank, Atlanta, after a written ballot deci-

sion over Harry M. Arthur, president of the Arthur State Bank, Union City, S. C.

The registration, 9,701, was the largest since 1922 when there were more than 30,000 banks in the United States.

The information contained in the convention talks and official reports was, as more than one delegate observed, "well worth the trip."

You can "read all about it" in this magazine.

Their Noses Knew

THERE was, it seems, a skunk. Whether large or small, male or female, didn't appear in the public



"My husband took our car to work. I want to borrow one of yours"

prints, which duly chronicled the Chicago story during the A.B.A. convention. Such details really don't matter. But the skunk mattered.

Leif H. Olsen, reporting for the *New York Times*, said:

"A discriminating skunk walked into a fashionable restaurant early this morning and joined a group of

THIS MONTH'S COVER

This bank lobby photo appears in an advertisement currently being used by the New York Life Insurance Co. in nationally circulated magazines. It is No. 17 in a series produced by New York Life on the subject of careers for young people in various businesses.

In this case, the American Bankers Association cooperated with New York Life in the ad's preparation, the text being an interview with Fred F. Florence, president of the Association and president of the Republic National Bank of Dallas, Texas.

A short article on the background of this advertisement and its potential use by banks appears on page 109.



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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bankers here for the A.B.A. convention. The equally discriminating bankers quickly vacated the place."

The cops came, sure enough. They "chased the skunk behind a radiator and then into a closet. Rather than be taken alive the animal charged from its hiding place and the police fired—three times—and killed the skunk, but unfortunately not the smell, which lingered on for hours."

Your Uncle Samuel and the \$64,000

JUST in case your arithmetic is as dull as ours, we pass along some computations on the take-home prizes that can be—are being is the better phrase, perhaps—won by contestants in TV's current hit, "The \$64,000 Question."

The figuring was done by no less an expert than the *Monthly Letter* of The First National City Bank of New York, which quietly observes that "the rules of the income tax supersede the laws of arithmetic," and then offers a pretty convincing demonstration.

The *Letter* points out that a single person with a \$4,000 income, winning \$32,000, gets tabbed for \$15,400 in Federal taxes, leaving \$16,600 as the actual prize. "An extra \$32,000 winning would get assessed a tax of \$23,292, increasing the prize by no more than \$8,708. Thus he is risking an assured \$16,600 for a chance to win an additional \$8,708."

Then the bank's computer figures that the single person would need "a nominal prize of \$107,600 to have and keep \$32,000, and a nominal prize running to \$448,711 to have and keep \$64,000."

The whole story is told in this table, taken from the *Letter*:

Prizes Before Tax Required to Double Prizes After Tax

(For single person with regular
income of \$4,000)

Prize	Share of	
	Tax Collector	Contestant
\$ 1,253.26	\$ 253.26	\$1,000
2,558.75	558.75	2,000
5,260.20	1,260.20	4,000
11,675.47	3,675.47	8,000
30,285.71	14,285.71	16,000
107,600.00	75,600.00	32,000
448,711.11	384,711.11	64,000

The Real \$64,000 Question

"THE program," observes the *Letter*, "has provided a vivid illustration of the way confiscatory personal income tax rates stack the cards against risk-taking ventures. Tens of millions of listeners have seen people, because of tax considerations, decide against taking the chance of turning \$32,000 into \$64,000. They rebel, not unnaturally, when the Internal Revenue collector claims the major slice of the pie.

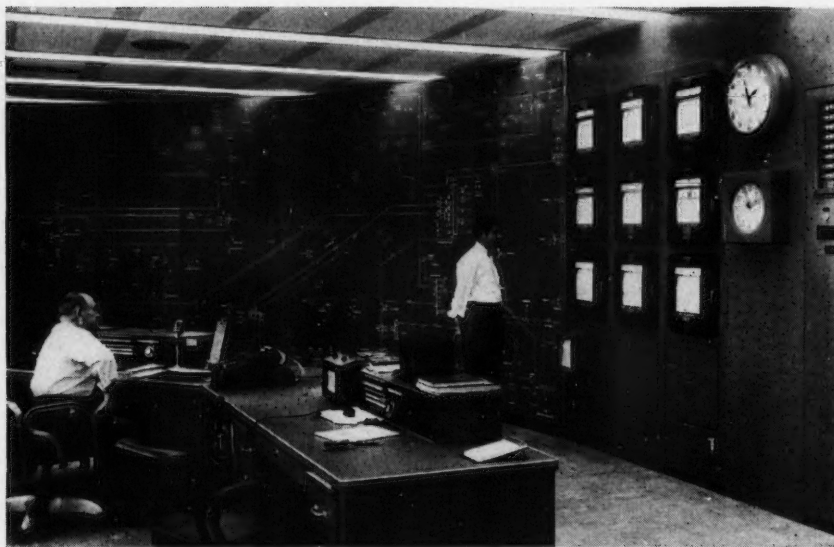
(CONTINUED ON PAGE 6)



"What's the use of opening an account if I can withdraw only as much as I put in?"



Private Microwave System—Bell System microwave equipment helps a midwest power company operate smoothly, act quickly.



Telemetry Channels—Electric power moves around interconnected system under guidance of dispatchers. Bell System telemetry supervisory control and voice channels permit the operators in this load dispatcher's office to supervise and control the inter-exchange of kilowatts at remote locations 24 hours a day.

WE SHRINK DISTANCE

Bell System communications help draw together the far-flung units of the nation's power lines, pipe lines and railroads.

An increasing part of the Bell System's business is providing communications for the specialized needs of the nation's power lines, pipe lines and railroads. As these needs expand, so, too, does Bell System service.

The facilities of these industries stretch across great distances. Yet they must be able to contact any point immediately and make information available quickly from one end of the line to the other.

All require quick, reliable communications. Yet each has specialized problems. We tailor our communication services to fit their exact individual needs.

The Bell System can meet all their communications requirements. Among the things we provide are:

- Private Line Telephone Services
- Teletypewriter Service
- Mobile Radio Facilities

We also supply the channels for:

- Telemetry
- Supervisory Control
- Industrial TV
- Facsimile

And we are continually developing new and better services for all types of businesses. We want to help them meet the new communications problems that accompany their change and growth.



Mobile Telephones for Pipe Liners—It is important that field men in the pipeline industry be able to make reports immediately and on the spot. Bell System provides mobile facilities for their trucks and cars.



Teletypewriter Cuts Rail Schedules—An extensive Bell System teletypewriter system is enabling one eastern railroad to cut Chicago to New York freight schedules up to 24 hours. Advance information speeds up train departures.

Bell Telephone System



DREADFUL!

After it happens, people are invariably sympathetic. Their sympathy extends even to the man—"the trusted bank employee"—who has now been unmasked as a long-time embezzler. "Why, he was such a fine man," people in the community will say.

They'll be sorry for the bank directors, men of unquestioned honesty and integrity who may now be faced with a heavy financial burden.

"Dreadful!"

That's what people say *after* it happens. If only bank directors and officers—*before* it happens—would *listen* to such warnings as:

An estimate by the N.A.B.A.C. that there are now \$25,000,000 in undiscovered losses due to employee dishonesty.

A report by the A.B.A. that there is a "sharp increase" in bank embezzlements *this year*.

Actual figures compiled by the *American Banker* that show defalcations for the first 6 months of 1955 of \$1,304,918; and still incompleting figures for the 3rd quarter that show 2 large losses boosting the total to over \$2,166,000.

We don't believe there is a banker in the country who, after mulling over these figures and facts from the best-informed banking authorities, won't want to take immediate steps to protect his bank from such "fatal" losses.

Our "CATASTROPHE" PROTECTION is especially designed for this purpose. It can be purchased in *any* amount the banker selects. More important, it can be arranged to apply to prior losses that may subsequently be discovered, *regardless of when they occurred!*

This protection is no further away than the telephone.

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(CONTINUED FROM PAGE 4)

This strikes people instinctively as unjust."

In considering personal income tax changes next year, says the bank, Congress would do well to "ponder the desirability of finding a schedule of rates that encourages people to go ahead. For people who feel the urge and have the talent to go ahead, the real \$64,000 question is what the Congress will determine to do."

Watch Your e's and l's

At the Handwriting Foundation's annual membership meeting the other day they passed out some interesting information. For instance:

The Foundation has a 14-page, two-color booklet that offers six suggestions to help prevent "indecipherable shopping lists, incomprehensible letters from children away at school or camp, and, perhaps worst of all, illegible love letters." (Difficult signatures weren't mentioned, but perhaps the HF won't object if we drag 'em in.) Here are the half dozen steps to legibility:

1. Watch out for the tricky letters. Be sure to distinguish between e and l, i and r, l and f.

2. Watch for the tricky numbers. You must carefully differentiate 1 and 7, as well as 3, 5 and 8.

3. Sit properly. Keep both forearms on the desk, push hips back and shoulders slightly forward.

(CONTINUED ON PAGE 11)

With present divorce statistics it isn't always easy to know Who's Whose in America.

Doctors say we can live over 100 years, but the trouble is you have to grow old to do it.

Lightning doesn't strike twice in the same spot because it doesn't have to.

The summer tourist soon finds that the cheaper rooms in the beach hotel overlook the ocean — completely.

An occasional driver loses control of his car because he can't keep up with the payments.



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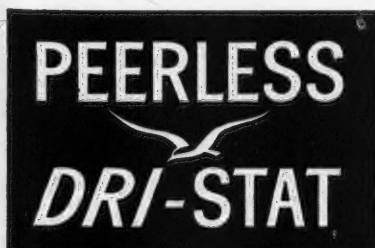
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During the past fifteen years there has been tremendous growth in the number of accounts in commercial banks. This growth has brought 200,000 more people to work for banks and has created a vast need for executive leadership.

Should your child be a Banker?

by **FRED F. FLORENCE**

President of the American Bankers Association and of the
Republic National Bank of Dallas, Texas (As told to MORTON SONTHEIMER)

ON a street corner in the little town of Rusk, Texas, a 15-year-old newsboy pulled out a copy of the *Dallas News* for one of his regular customers. As usual, the man stopped to exchange a word with the youngster. This time, though, he studied the lad for a moment and said:

"Son, I've been thinking—how would you like to work for the bank?"

The question seemed to require an immediate answer. Thoughts raced through the boy's mind—the bank looked like a comfortable place, cool in summer, warm in winter; the job would mean a regular salary; besides, banks were important and working for them carried a certain amount of importance, too.

"I'd love it, Mr. Wightman," the boy replied.

"All right, we need a messenger. You

can start on Monday."

From the day 48 years ago when John S. Wightman, Cashier of the First National Bank of Rusk, hired him, that boy has always been a bank employee of one sort or another and has never wanted to be anything else. I can vouch for that. I was that boy.

Banks are still cooler in summer and warmer in winter than street corners, but there are many more facts available to young people and their parents today on which to base a decision about banking as a career. In this article I would like not only to set forth some of those facts, but to tell about the many personal satisfactions that working in a bank can bring. I am confident that they add up to stronger reasons than I had for making the fortunate choice I did.

A most important fact—one that even

bankers find hard to realize—is the tremendous growth of banking in the past 15 years. Since 1939 the number of accounts in commercial banks has doubled, and the amount of deposits, and of bank loans and investments has tripled. Today 90 per cent of the nation's business is transacted through checking accounts in banks. Banks are transferring nearly two trillion dollars annually.

All this has not only brought 200,000 more people to work for banks—an increase of 65 per cent in 16 years—but it has created a vast need for executive leadership. New banks and branches blossom out all over the land, and there must be new managers and executives to run the new offices. American banks keep extending their foreign interests, and the call goes out for young executives to go to Cairo, Rome, Beirut, Manila, Paris—to foreign offices all over the world.

There are 15,000 banks in this country. Just in the ordinary course of events they require about 1,000 new presidents a year. Approximately 5,000 officer-positions open up every year. The point to remember is that no other business brings so many executives up from the ranks.

The American Bankers Association recently made a survey that tells the story with a few simple figures. Out of more than 525,000 employees now in banks, about 95,000 or 18 per cent are officers,

(Advertisement)

ranging from assistant cashiers and assistant treasurers to chief executives. In other words one out of every five and a half employees holds an official position.

But for the young person bent on a banking career the chances of reaching executive status are better than that. Almost six out of every 10 bank employees are women, and the majority of women employees leave to get married. This means that the remaining men, although a minority, get most of the executive jobs. One statistician has figured that two out of every three men employees of banks must be prepared for office ship.

At the same time, the opportunities for those women who do remain are greatly increased. Before World War II one rarely saw a woman entrusted with the responsibilities of a teller's position. Today they have gone far beyond teller's status. Many women have advanced to officers' positions, particularly in the smaller and medium-sized banks and, on a national average, one out of every ten officers is a woman.

Modern banks conduct carefully planned programs of learning and advancement for their employees. The courses of the American Institute of Banking are preparing thousands of members of bank staffs for better jobs, and many banks are supplementing these courses with study plans of their own.

From banking's earliest beginnings, when the Seventeenth Century London goldsmiths issued warehouse receipts for the gold deposited with them and the customers began circulating the receipts as currency, there has been an aura of prestige to the banker's calling. Some years ago there was a tendency to let this prestige suffice for a better salary. It gave banks a reputation for low pay that has lingered long after most of them have adopted realistic salary schedules.

A young person entering banking today should be able to find a job that will easily match the starting wages of other lines of white-collar work. Once he reaches officer rank, it is difficult to generalize about his salary because circumstances and geog-

raphy may affect it largely. In most larger towns and cities, however, he could expect to earn from \$8,000 to \$15,000 a year. And if he later attains a senior executive position, he can look forward to a substantially larger income. Some bankers even have six-figure salaries.

When I started on that first bank job of mine, I found that the salary was five dollars a week. Life was so simple then that I could figure on walking out of the bank every Saturday with five dollars of my own. But in this age when salary is one thing and take-home pay is another, young people have to look beyond the basic wage to other financial advantages that the tax collector does not reach so readily. Banks as a group offer their employees more of the so-called fringe benefits than any other industry, according to a United States Chamber of Commerce survey.

These benefits may be in the form of pensions, bonuses, profit sharing, sick leave, paid vacations, hospitalization and medical services, life insurance, educational courses, separation pay, and loan funds. The bank employees in the survey were found to be receiving \$28.70 in non-wage payments for each \$100 of salary—nine dollars higher than the average for all industries.

Important as such considerations may be, though, it seems to me there is a far more compelling attraction to the career of banking. It is an intangible that the uninitiated would hardly expect, but young men or women of imagination will sense it early in any banking career. There are no words that describe this quality better than romance and adventure.

The banker shares the triumphs, the tragedies and the intimate emergencies of people in all walks of life. He has a part in all the important undertakings of the community. The stability of a whole area may depend upon his judgment, and often he himself sets the pace for progress.

There is a quiet excitement for him, a sense of real achievement, in preserving the wages and profits of his neighbors when disaster threatens, in transforming a town or a whole region from lagging lassitude to thriving prosperity. The spice of variety flavors all of banking today. Banks are lending money for dental bridges and drawbridges, for carparks and for airports, for kitchen ranges and for cattle ranges. No sensitive person can sit in the midst of all this without feeling the vital surge underlying a bank's operations and without being stimulated by it.

Right now banks are engaging about 100,000 new employees each year, from high schools and colleges everywhere and, still occasionally, from "off the street" as I was employed. A few years back I enjoyed seeing my own bank employ a young man who made a good impression as a Western Union messenger boy. He is one of our executives today.

The young man or woman who is aiming at a position of leadership and responsibility should have a college education. It doesn't have to be specialized, although a business administration curriculum with

a major in banking offers the best training.

The young person who chooses a banking career may have an important decision to make before he begins—whether to work for a small bank or a large one. Some 250 banks in this country have more than half of all commercial banking resources and employ about half of all banking personnel. Generally they pay higher salaries and promote more rapidly. But the ratio of officers to employees in the big banks is about one to nine. In smaller banks it is nearer one to three. The wisest decision depends on individual consideration.

Any young person can apply for a bank job in person or by writing to a bank official in charge of personnel. Many banks employ young folks during the summer school holidays. The experience gained this way or by working in school banks is a great advantage to the young man or woman seeking a full-time job.

The qualities that make a good banker are the qualities that make a good man or woman—honesty, mental alertness, imagination and vision, drive, decisiveness, creativeness, leadership, courage when it is called for, kindness, understanding and consideration, a personality that makes friends and inspires confidence, humility enough to use personal power graciously, and a knack of quickly grasping unfamiliar problems. If your son or daughter has a fair share of these attributes, there is a place for him or her—and very likely a bright future—in banking.



HOW TO HELP YOUR CHILD HAVE THE CAREER HE WANTS

Many factors will enter into your child's choice of a career: his interest, his ambitions, his abilities, the counsel he receives from teachers, friends and family. But, most of all, it will depend on his opportunities to get the training he needs to enter the field of his choice.

Even though his college days are still years away, it's never too soon to start making sure that your child will have the opportunity to continue his education when the time comes.

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First Wisconsin National Bank

OF MILWAUKEE

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 6)

4. Avoid tiring the hand. Keep palm and wrist down and don't turn the hand too far to the side.

5. Keep a good supply of writing tools in order, including, of course, pens, pencils, papers and ink.

6. Carefully separate letters, space words, and, in general, pay attention to the way you write.

Early in 1956, we learn, a couple of special better-handwriting activities will get under way. Albert G. Frost, president of the Foundation, said that several hundred clerks, secretaries and executives employed by five companies will start a test program designed to increase the legibility of sales slips and business correspondence. After the pilot project is completed the program will be available free to all businessmen.

Also in 1956 the Foundation will award at least 25 scholarships annually to teachers who want training in handwriting instruction. Courses, it seems, can be had at colleges throughout the country.

"Step by Step, as an Ant Walk"

LAST month, you may remember, we reported that a young Japanese bank clerk had received, among other educational materials, a subscription to *BANKING* through the courtesy of two American friends.

The recipient, Yuichi Kinoshita of Kyoto, is most grateful. His commendation of this magazine and his gratitude for pamphlets and other items from various A.B.A. departments were expressed in a letter that deserves quotation:

"I am enjoying so much every *BANKING*. I thank you very very much for your goodwill. I cannot finish reading much articles every day but I read interesting para-

There ought to be a good market in country golf clubs for that truth serum.

A good traffic cop whistles at his work.

Economics Lesson: Increased earnings always bring increased yearnings.

No Investment

There is no investment of a bank's funds for installing and maintaining the THRIFTICHECK no-minimum-balance personal checking account plan. THRIFTICHECK's modest fee, based on the volume of checkbooks sold by the bank, covers all costs for installation supervision by THRIFTICHECK representatives, check imprinter, checkbooks, checks, deposit tickets, signature cards, statements, passbooks, ledger sheets, banking-by-mail sets, a continuous flow of advertising and promotional materials, and other supplies.



Exclusive THRIFTICHECK rights are granted to but one bank in an area. THRIFTICHECK is the complete, dignified, successful plan of low-cost, no-minimum-balance checking. The THRIFTICHECK name is nationally advertised, nationally recognized. The popularity of this Service is proven by millions of THRIFTICHECK customers in more than 700 communities across the nation.

Why not join the scores of banks today who are gaining new customers and substantially increased volume by changing over from an existing no-minimum-balance checking account plan to THRIFTICHECK? For full details, write

THRIFTICHECK SERVICE CORPORATION

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Another reason why Hammermill Bond prints better, types better, looks better



People come from all over to see what makes Hammermill Bond even cleaner than before

THE PEOPLE in this picture happen to be Hammermill experts, studying something brand-new in papermaking. But they might well be some of the paper experts that have been coming from all over the country and even from abroad to see this revolutionary Hammermill invention.

This invention took Hammermill four years to develop and half a million dollars to install. It has just one job—to make Hammermill Bond even cleaner than it was before.

The pulp Hammermill Bond is made from gets six separate washings and three different stages of bleaching. That's why in the past you've found so few specks to mar Hammermill Bond's brilliant blue-whiteness.

But now, Hammermill's new invention gives the pulp a final cleaning of a different kind. The pulp is whirled under pressure through the cone-shaped pipes shown above at the left. The dirt particles, being heavier, are flung to the outside and carried away, so they can never get into the paper. The clean fibers rise to the top, and are piped immediately to the papermaking machine.

That's why the Hammermill Bond you buy today is even cleaner than before. It's an example of the technological advances that each year bring paper experts from all over the world to see Hammermill papers made—an example of how no expense is spared to make your Hammermill Bond, (1) *print* better—(2) *type* better—(3) *look* better. *Printers everywhere use Hammermill papers. Many display this shield. Hammermill Paper Company, Erie, Pa.*



—yet

**HAMMERMILL
BOND**

costs no more

—and actually less than many other watermarked papers

graphs step by step as an ant walk, with great interest.

"Some paragraphs of **BANKING** are inapplicable to our daily banking in Japan, for our poor capital power and the difference of our economical conditions and circumstances between America and Japan. But I can read all articles with deep interest and enjoy them so much.

"Your **BANKING** is so nice magazine and I can find most interesting and helpful. Then I share it with my good friend in my branch.

"The your warm present to me, the 1955 edition of *Present Day Banking* is very wonderful one and give me the greatest pleasure and gladness every day."

Germany's Recovery

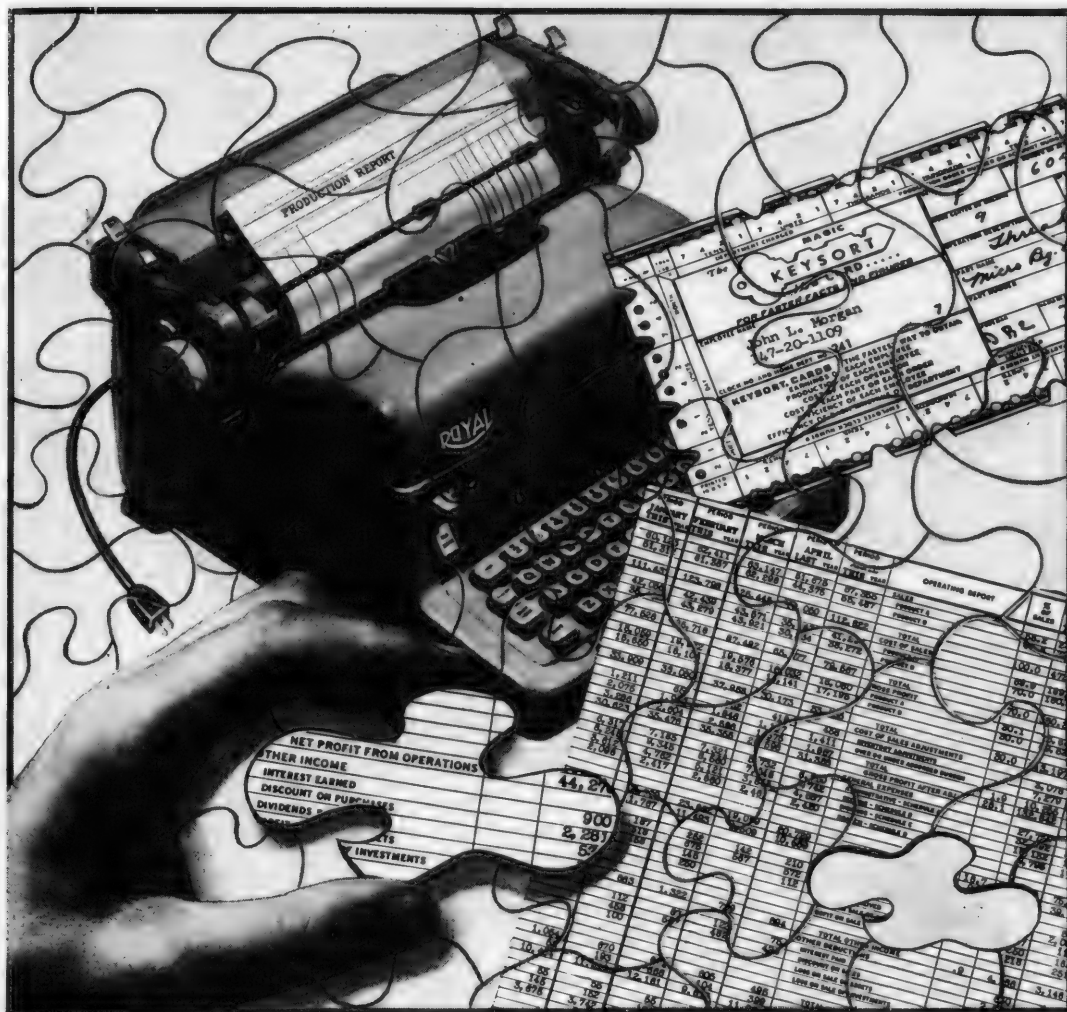
AT the New York Yale Club recently we met Henry C. Wallich, author of *Mainsprings of the German Revival*, which the Yale University Press of New Haven, Conn., was publishing that day at \$4.50 a copy.

Naturally, Mr. Wallich, professor of economics at that school, was quite willing to talk about the subject matter of his book. He believes that Germany's come-back is a strong endorsement of conservative financial policies and suggests that "whoever believes a free economy can produce such development will find the German experience heartening."

Professor Wallich mentions special aspects of the revival: the boom in exports, the reliance on private enterprise and free markets in preference to government controls, and the high rate of investment in plant, equipment and housing, encouraged by a sound currency and a tax system which has been designed to favor savings as well as investment.

He believes it is the revival of Germany's economic potential that makes her political decisions so important to the world; also that the revival is likely to give the Germans a new sense of independence and an intensified desire for early unification.

A vacationist caught a fish so big he dislocated both shoulders in describing it.



there's no puzzle when MANAGEMENT can fit the pieces

Making the "pieces" of today's business fall together quickly, efficiently and economically is a job which calls for prompt operating information to management.

Royal McBee machines, business forms and procedures are engineered to meet the vital need for fast, accurate reports—placed on top management desks in time to capitalize on opportunity, or correct faults.

If you are interested in seeing the full report of Royal McBee for the fiscal year ended July 31, 1955, write Secretary, Royal McBee Corporation.

SUMMARY OF RESULTS

for year ended July 31, 1955, compared with previous year

	1955	1954
Income from Sales of Products, Services, etc.	\$84,694,569	\$84,398,114
Net Profit after Depreciation but before Federal Taxes on Income. \$	7,446,067	6,304,121
Provision for Federal Taxes on Income	3,813,000	3,513,000
Net Profit after Depreciation and Provision for Federal Taxes on Income	\$ 3,633,067	\$ 2,791,121
Earned per Share—Common Stock. \$	2.45	1.83

(After Year-End Audit)



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ALUMINUM Portable Tellers Buses OF DISTINCTION



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CO INC

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CHARLOTTE 3 N C



Need Funds, Will Travel

"How about borrowing a hundred dollars on a 1949 Studebaker?" asked the unkempt-looking individual, as he was ushered into the presence of the loan officer.

"Well, we don't usually care to make loans on a car as old as that," replied the vice-president, "but of course there are always exceptions. Do you live in town?"

"No, I been living out on a farm a few miles out of town."

"How long have you been living in this section?"

"Oh, I guess it must be two or three months now. I got the car out there in front of the bank, if you want to look at it."

"Well, before we examine the car, let's get a little more information," suggested the officer. "Whose farm is it you are living on?"

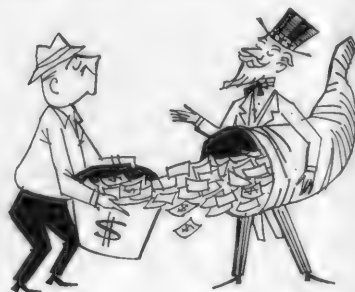
"We ain't exactly moved into no special place yet, to tell the truth," said the would-be customer, uneasily, "we been living in the car out there."

"Where do you work?" was the officer's next question.

"Well, I don't work, 'cause I'm a disabled veteran and I get a pension from the Government every month. This month I kind of run short of money and I thought maybe I could borrow some here to make do till the check comes."

"Let's look at the car," said the officer, and they proceeded to its

parking place. The automobile was evidently fully loaded for travel, and on the ledge in front of the rear window were plates and cups that clearly indicated breakfast had recently been eaten. The seats were occupied by the rest of the family — mother and five children — all ready to travel. The loan didn't look too favorable and that's why this story wound up in the "Loan Applications Declined" file.



Banks Can Do Anything

"GIVE me a draft on the United States for \$15,000," said the excited customer, shuffling from one foot to the other, his hands in the pockets of his shabby blue jeans. His appearance did not seem to warrant the possession of such a sum of money, but the teller asked politely, "Did you say 15 thousand dollars?"

"Yes, Ma'am, that's right."

"You mean you want to draw on the United States Government for \$15,000?"

"Yes, Ma'am."

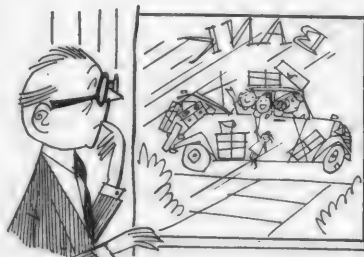
"Well, I don't just know how you can do that. Do you have papers of some kind, or could it be that you have some bonds you want to cash?"

"No, Ma'am, I ain't got no bonds or papers, and I don't know just how to handle it, but this fellow who works where I work, he said the Government was going to give every veteran \$15,000 in cash, and all I had to do was go in the bank and draw on them for the money."

The perturbed teller called an officer to deal with this unusual situation. The latter's questions did not seem to bring any order out of the chaos of the customer's thoughts, and finally the would-be drawer was told that he would have to bring in some documents relating to the draft before anything could be done.

To date he has not returned.

BELLE S. HAMILTON



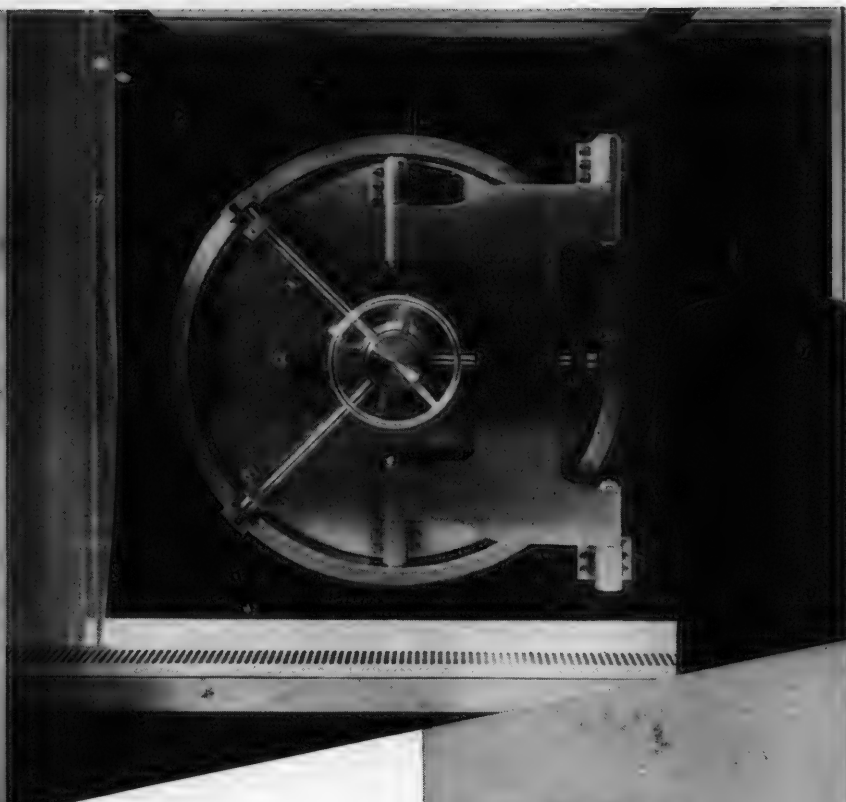
Modern

banking

requires

modern

protection



Showcase vaults, volume transactions over open counters free of bars and grille work, and other present-day banking conveniences require up-to-the-minute protection. In supplying blanket bonds and other types of insurance to meet these changing requirements, we offer a broad and intimate knowledge of modern protection techniques plus the ability to apply fresh thinking to your individual problems. It is this interest in your problems that enabled us to introduce many of the protection standards that are today serving the leaders of the financial industry.

FEDERAL INSURANCE COMPANY.

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GUARANTEE COMPANY

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Evansville, Indiana

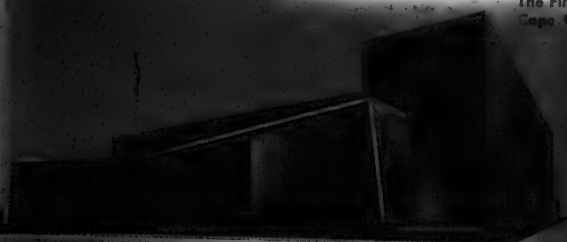


Citizens National Bank
and Trust Company,
Chicago, Illinois



How we design your bank's **OUTSIDE**
to bring
new business
INSIDE

The First National Bank,
Cape Girardeau, Missouri



The very fact that a bank is modernizing or building anew is a business stimulant. But long after dedication, new quarters must continue to pay off for your bank.

Here our teamwork designing—by international architects and engineers who specialize in new quarters for banks—takes on its greatest importance. For the building exterior should express the *personality* of your bank . . . and offer an *invitation* to new customers.

With our intimate knowledge of the banking business, we carefully analyze your operations and plan the bank *interior* first. Then we design the exterior *around* it, and in relation to such factors as terrain, neighboring buildings, car and pedestrian traffic, weather and climate, construction costs, maintenance, and future expansion.

We have completed nearly 3,000 financial projects throughout America and foreign countries. A survey on new-business gains for banks we have designed proves these banks not only *invite* new business with striking exteriors. More important, they *fulfill* their promise through interiors planned for top operational efficiency and swift customer service.

Whether your budget is large or small, this *specialized* talent costs no more. Write for details . . . or visit us in St. Louis. See how our design teamwork plans your bank . . . *inside and out* . . . for new business!



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- Send my free copy of
- "BANKER'S GUIDE TO PROFITABLE NEW QUARTERS"

On or about.....we contemplate:

<input type="checkbox"/> NEW BUILDING	<input type="checkbox"/> MODERNIZED QUARTERS	<input type="checkbox"/> NEW FIXTURES	<input type="checkbox"/> MODERNIZED FIXTURES
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NAME.....TITLE.....

BANK.....

CITY AND STATE.....

1500B/160

456



73.3% of bankers interviewed say:

"AIR CONDITIONING REDUCES EMPLOYEE ERRORS!" *

Employee errors cost you money. And everyone knows that the hotter the weather, the more likely errors are to occur. The solution? Air conditioning, according to 73.3% of the bankers interviewed on the subject.

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No one system works best in every bank. Heat loads and glass areas vary from bank to bank. So do number of occupants, floor areas, taxes,

depreciation, operating costs and a host of other factors. That's why York carefully selects and then precision engineers each Yorkaire System to fit the particular building in which it is to be installed.

For complete information on how a Yorkaire System can be tailored to fit your needs, phone your York District Office (the number is in the classified directory), or write York Corporation, York, Pa. Either way, there's no obligation, just plenty of sound help.

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the quality name in air conditioning

YORK CORPORATION

HEADQUARTERS FOR MECHANICAL COOLING SINCE 1885

FDIC Refund Plan Offered by Wiggins

A. L. M. WIGGINS, chairman of the Bank of Hartsville, Hartsville, S. C., submitted at the American Bankers Association convention in Chicago a proposal for the Federal Deposit Insurance Corporation "to refund to the banks all assessment income to the Corporation in excess of the cost of operations and losses of the Corporation in any year."

Mr. Wiggins, a former president of the A.B.A., speaking at the annual meeting of the Savings and Mortgage Division, said he was convinced his proposal was "not only in the interest of the banking system, but in the interest of the FDIC and the public."

"Sixty percent of this amount," he continued, "should be used for the reduction of assessments as is provided under present law. The remaining 40%, which is now retained by the FDIC and added to its reserves, should be refunded to the individual banks and used by them for additions to reserves for losses. Instead of the FDIC using this 40% of net assessment to add to the contingent reserves of the Corporation, the individual banks would use these funds to increase their own reserves. These reserves should be against any losses, including losses in the liquidation of securities and fidelity losses in excess of amounts recovered from insurance as well as losses on loans."

Charges Against Reserves

"Banks would be required to charge all losses they might incur against such reserves to the extent that such reserves are adequate. However, it should be provided that charges should not be made against this reserve for losses on loans until the reserves set up under the bad debt formula, established pursuant to Section 166(c) of the Internal Revenue Code and rulings thereunder by the Internal Revenue Service, have been exhausted. This

(CONTINUED ON PAGE 143)

FIRST...CHECK FIRST



What's the **NEW** Southern Custom?

It's the up-and-going custom of opening doors for new industry (over 22,000 new plants since 1939). The "open, sesame" for your profit-minded customers can be the facts you furnish about this great and growing market. Want the facts? First check the folks who know the South...

THE *First* NATIONAL BANK OF ATLANTA



The bank
that knows its neighbors

MAIL TODAY

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Dept. H-4

That's a nifty custom, neighbor, and I'm interested.
Tell me more about: _____

Name _____

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City _____

Zone _____ State _____

This department is compiled by
THEODORE FISCHER of BANKING'S
staff.

Assists Dulles

HERBERT V. PROCHNOW, vice-president of The First National Bank of Chicago, has been named Deputy Undersecretary of State for Economic Affairs and has been granted a leave of absence from the bank. In the State Department he succeeds Samuel Waugh, who has been named head of the Export-Import Bank.

Secretary Dulles immediately assigned MR. PROCHNOW to make a Far Eastern tour with Under Secretary Herbert Hoover, Jr., and foreign economic chief John B. Hollister. MR. PROCHNOW left the party at Manila on October 14 to return to Washington to meet with Secretary Dulles prior to the Secretary's departure for the foreign ministers' meeting at Geneva.

MR. PROCHNOW's position with the bank, in charge of its banks and bankers division, is being taken by RAYMOND H. BECKER, vice-president.

The National Bank of Commerce and Louisiana Bank & Trust Company have consolidated under the name of THE NATIONAL BANK OF COMMERCE IN NEW ORLEANS, the city's first bank merger in 25 years. Based on the most recent statements, the consolidated institution will have total resources of some \$240,000,000, and 87,000 customers. DALE GRAHAM, president of National, continues in that position.

Ellis H. Boyd, Jr., left, president of Fort Worth Chapter, American Institute of Banking, receives from Jack Dacy, first vice-president, and Rufus Parr, chief consul from Fort Worth National Bank, a check covering membership dues in the A.I.B. for every member of the bank's staff. A.I.B.'s national president, Bernard Lunt, is an officer of Fort Worth National, which is backing him 100%



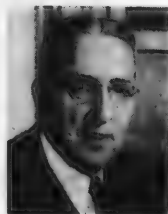
Heard Along



Herbert Prochnow



Raymond Becker



J. C. Thomson



Goodrich Lowry

PERCY H. SITGES, formerly president of Louisiana Bank, becomes chairman of the executive committee. JOHN A. OULLIBER and EUGENE M. MCCARROLL are executive vice-presidents; and all other officers and employees will continue in their previous positions.

Big Merger in Philly

THE FIRST PENNSYLVANIA BANKING AND TRUST COMPANY has organized after the merger of The Pennsylvania Company for Banking and Trusts and The First National Bank of Philadelphia.

WILLIAM L. DAY was named chairman; WILLIAM F. KELLY was elected president. WILLIAM B. WALKER, who was president of First National, was elected executive vice-president.

Six senior vice-presidents were

elected, each of whom had served in the same capacity with one of the merged banks. They are WILLIAM F. KRIEBEL, HAROLD W. SCOTT, ALBERT W. WHITTLESEY, and ROBERT A. WILSON, all of Pennsylvania Company; and PHILIP F. COLEMAN and CHARLES J. GABLE, JR., of First National. All other officers were elected to the same posts they had held before.

Major Changes at Banco

J. CAMERON THOMSON, president of Northwest Bancorporation, Minneapolis, for 22 years, has been elected to the new position of chairman of the board. GOODRICH LOWRY, executive vice-president of Northwestern National Bank of Minneapolis, a Bancorporation affiliate, was elected president, chief executive and administrative officer, and a director.

MR. THOMSON, who has reached retirement age, is expected to remain as a chairman or in an advisory capacity for several years. He has long been active in banking affairs and is a past president of the American Institute of Banking. MR. LOWRY, who is only 43, is the fourth generation of his family to be associated with Northwestern National Bank. He's an alumnus of The Graduate School of Banking.

Two promotions resulted from the elevation of MR. LOWRY. JOHN A. MOORHEAD was named executive vice-president of Northwestern National Bank, and HENRY T. RUTLEDGE became president of Northwestern Bank Building Company, the bank's real estate subsidiary.

Main Street



H. Stephen Chase



George Updegraff

H. STEPHEN CHASE has been elected a senior vice-president at the head office of American Trust Company, San Francisco.

GEORGE S. UPDEGRAFF is now secretary of the Wisconsin Bankers Association, succeeding WALL G. COAPMAN, who has retired after nearly 32 years of Association activity. MR. UPDEGRAFF was a member of the staff of the American Bankers Association before going to the Wisconsin Bankers Association, where he has been assistant secretary. MR. COAPMAN has been named secretary emeritus.

A recent window display at THE BOATMEN'S NATIONAL BANK of St. Louis featured little-known aspects of the Red Cross blood program.

Cash Under Glass

THE BROCKTON (Mass.) NATIONAL BANK rented a "glass house" from the A.B.A. Advertising Department, and then put it to a use entirely different from that originally intended—it was used to collect flood relief donations for the Red Cross.

RICHARD K. BULLARD, assistant vice-president of the bank, describes it thus: "We took the glass house to one of our local plastic plants and, as their contribution to the flood relief, they constructed a new roof for the house with a slot which made it possible for people to drop their contributions right through. The fact that all this was visible and people could see the house filling up with money, was a tremendous

drawing card. We have moved the house from one location to another, and through the aid of our local radio station we have kept the public informed as to its location."

REGINALD COLE, president of the bank, is also chairman of the local flood relief committee. The committee had a quota of \$4,600, which was soon exceeded. The quota was then raised.

Alert Newcomer

A YOUNG man walked into the Albuquerque (N. Mex.) National Bank, handed to a pretty teller two \$100 money orders for cashing — and wound up in the pokey. The teller, DOROTHY VESCOVO, had seen and remembered a post office flyer on money orders stolen at Arlington, Calif. She called a superior, checked to prove that the money orders were indeed stolen, called police, then kept the man in conversation until police arrived. MRS. VESCOVO, at 24 the mother of two small boys, had been with the bank only a month when all this happened.



Guy Sturgeon

GUY STURGEON, a former president of the Independent Bankers Association of America and of the Wyoming Bankers Association, died in his sleep at his home in Sheridan, Wyoming, on October 1 at the age of 54. He was president of the Bank of Commerce, Sheridan.

MR. STURGEON was president of the State Bank Division of the A.B.A. in 1951-52, and since then had served for two years on the A.B.A. Executive Council. He had attended the A.B.A.'s annual convention in Chicago in late September.

THE FIRST NATIONAL BANK of Atlanta, Ga., has been celebrating its 90th anniversary, for which it coined the slogan: "90 Years—and Only the Beginning." The bank's 1,000 employees and wives and husbands were guests at a birthday dinner in

"Glass house" rented from the A.B.A. is used by Brockton (Mass.) National Bank to receive donations for Red Cross flood relief. Left to right, John O'Connell, Chief of Police; Esther Baldwin, executive secretary, Brockton Chapter, American Red Cross; Mayor C. Gerald Lucey of Brockton; Reginald T. Cole, president, Brockton National Bank and chairman of flood relief drive; Harry Swicegood, vice-president of Brockton Chapter, American Red Cross





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Coverages
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Group and Individual Credit-
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INSURANCE

A GUARANTEE AGAINST LOSS

Insuring Mobilehomes From Coast to Coast is our only business

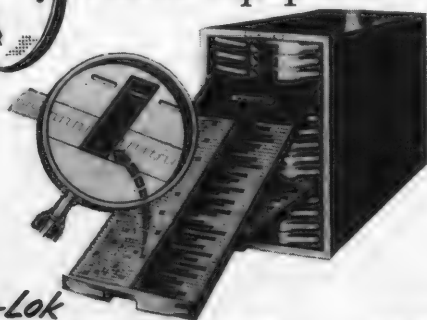
MOBILE-HOME AGENCY, INC. Keeler Building, GRAND RAPIDS, MICH.



INVESTIGATE

Before you BUY

Visible Equipment



16
Good
Reasons
with
Sig-Na-Lok

FEATURE	SIG	2	3	4	FEATURE	SIG	2	3	4
1. Locking signal	Y				9. Accurate analysis locked signalling	Y			
2. Easily moved signal	Y				10. Pocket with wire and acetate lug	Y	Y		Y
3. Protected pocket	Y	Y	Y	Y	11. Pocket lug riding on rail	Y			
4. Pocket tight to lug	Y	Y	Y	Y	12. Frictionless shift of pockets	Y			
5. Positive visibility	Y				13. Perfect layback of pockets	Y	Y		
6. Ease of insertion	Y				14. Roller suspension slide	Y			
7. Quality	Y				15. Group shifting of pockets	Y			
8. Price	Y				16. Greatest card capacity	Y			

Effective Tools for Effective Management
WASSELL ORGANIZATION, INC. Westport, Conn.

Atlanta's Dinkler-Plaza Hotel. Anniversary Week was celebrated September 11-17 with employees wearing identification badges with bright green ribbons announcing the 90th anniversary celebration.

JOHN W. HARRIS was named corporate trust officer and VICTOR C. TRAPPLER became trust officer at Central-Penn National Bank, Philadelphia. MR. HARRIS is an alumnus of The Graduate School of Banking.

Vice-presidents CLINTON C. JOHNSON, HOWARD W. MCCALL, and WILLIAM S. RENCHARD have been promoted to executive vice-presidents of Chemical Corn Exchange Bank, New York.

EDWARD J. KORBEL has advanced to vice-president of Manufacturers Trust Company, New York.

OLIVER C. HART was elected vice-president and JOSEPH F. BOTDORF, Jr., became assistant cashier of The Citizens & Southern National Bank, Atlanta, Ga.

MOSS E. HULSEY, JR., has been appointed chief examiner of the Federal Reserve Bank of Dallas. He was senior examiner in the examination department.

The Bank of South San Francisco has merged into ANGLO CALIFORNIA NATIONAL BANK.

NYCHA Elects

S. SLOAN COLT, president of S. Bankers Trust Company, was elected president of the New York Clearing House Association, succeeding N. BAXTER JACKSON, chairman of Chemical Corn Exchange Bank. JOHN C. TRAPHAGEN, chairman, The Bank of New York, was elected chairman of the Clearing House Committee, succeeding PERCY J. EBBOTT, vice-chairman of Chase Manhattan Bank. GRANT KEEHN, executive vice-president, First National City Bank, was reelected secretary.

In the Association's membership are 14 member banks with 453 branches, in addition to the Federal Reserve Bank of New York and 7 clearing nonmembers. Average daily clearings during the past fiscal year amounted to \$2,098,000,000.



Edmund Bartlett



John I. Howell

EDMUND BARTLETT and JOHN I. HOWELL were elected vice-presidents of J. Henry Schroder Banking Corporation and Schroder Trust Company, New York.

JAMES E. PATRICK, executive vice-president of Valley National Bank, Phoenix, Ariz., was presented an honorary lifetime membership in the Phoenix Personnel Club for his "outstanding achievements in personnel and industrial relations work."

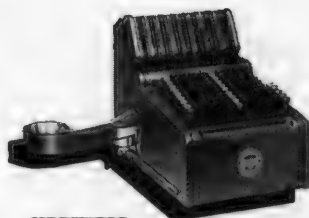
WALTER F. STIFT and CORNELIUS KOPPELMAN were elected vice-presidents of National Bank of Hyde Park in Chicago.

The WESTBY-COON VALLEY STATE BANK, with offices in Westby, Coon Valley, and Chaseburg, Wis., has published a booklet to celebrate its 50th anniversary.

About 12,000 persons attended the two-day opening celebration of the Sheepshead Bay office of the KINGS HIGHWAY SAVINGS BANK, Brooklyn, N. Y., and opened 4,914 new accounts. The office has two sidewalk teller windows which are open from 7 A.M. to 7 P.M. on Mondays and Thursdays, and from 7 to 3 on other weekdays.

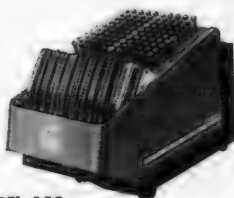
Gimbel Brothers Bank and Trust Company, Philadelphia, has announced these promotions: S. K. DYER, vice-president and treasurer; OLIVER W. PATTEN, JR., assistant treasurer; BERNARD S. WEISS, secretary; GEORGE K. WIBLE, assistant secretary.

NEVA PRISK PADDOCK, widow of Charles Paddock who was known as the "world's fastest human," has been elected to the Pasadena Advisory Board of Security-First National Bank of Los Angeles. MRS. PADDOCK is president of the Pasadena Star-News Publishing Company and is the newspaper's associate pub-



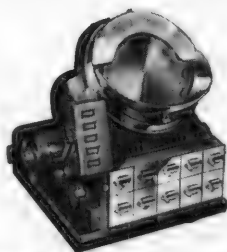
**MODEL 250
BRANDT AUTOMATIC CASHIER**

Delivery chute type. Coins delivered direct to customer upon depression of a single key.



**MODEL 150
BRANDT AUTOMATIC CASHIER**

Trap door type. Coins delivered to customer by operator following depression of a single key.



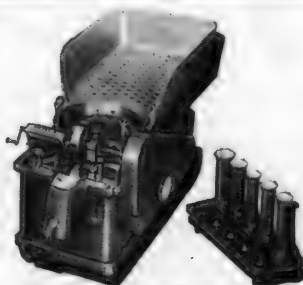
**MODEL SL — BRANDT
COIN SORTER AND COUNTER**

Motor driven. Sorts and counts mixed coins, pennies to half dollars, inclusive. Features new "quick take-apart" construction permitting quick, easy access to many of the working parts.

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outstanding

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machines

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long
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lisher. In 1943 when her husband, the late Captain Charles W. Paddock, U.S.M.C., lost his life in an Alaska plane crash, Mrs. Paddock assumed his responsibilities as general manager of the newspaper. She was elected president and associate publisher in 1954.

Manufacturers Trust Company, New York, has appointed AUGUSTO CASTIGLIONI as its representative in Rome, Italy. The new office opened October 1. For many years Manufacturers has maintained representative offices in London and Tokyo.

New Officers at RMA

JAMES T. OVERBEY, senior vice-president of the First National Bank of Mobile, Ala., was elected president of the Robert Morris Associates. He has been active in the organization's affairs since 1934. In addition to serving as a member of the executive committee, he is a member of the committee on cooperation with the American Bankers Association, and chairman of the policy and planning committee. He was a charter member of Robert Morris Associates' Southeastern Chapter and its president in 1949-50.

MR. OVERBEY is a graduate of the American Institute of Banking and has served the Institute as an instructor. He was a member of the Class of 1942 at The Graduate School of Banking.

J. WALLACE ELY, executive vice-president of the Security Trust Company of Rochester, N. Y., was elected first vice-president. **WILLIAM R. CHAPMAN**, vice-president and director of Midland National Bank of



Harry Goodfellow



Clifton Harm

Minneapolis, was elected second vice-president.

HARRY S. GOODFELLOW has been elected director of the Pacific Coast Banking School for the next two years. **MR. GOODFELLOW**, vice-president and a branch manager of Peoples National Bank of Washington, Seattle, had been assistant director under **WILLIAM M. JENKINS** for the past two years.

Other officers elected by the School's board of directors include: *Assistant director*, **ROBERT S. BEAUPRE**, vice-president, Seattle-First National Bank; *chairman of the board*, **JOHN J. BURKE**, president of the Metals Bank and Trust Company, Butte, Mont., and president of the Montana Bankers Association.

CLIFTON HARM, formerly special representative with Rand McNally and Company, has joined the bank advertising firm of Richard Stebbings and Associates, Minneapolis, as an account executive in charge of business development.

YORK HAVEN (Pa.) STATE BANK held an art exhibit in its lobby on a recent Saturday, the first of several exhibits to stimulate community interest in arts and crafts.

This new \$3-million home of City National Bank of Beverly Hills, Calif., features "eyebrows" and controlled vertical fins which determine the amount of sunlight admitted





A. M. Twomey



Sanford Smith

A. M. TWOMEY advanced to vice-president and to head the officer placement department at Bank of America, San Francisco.

SANFORD L. SMITH, a trust officer in the corporate trust division of City Bank Farmers Trust Company, New York, has been named a vice-president.

AGATHA BLASI and MARJORIE PEYSER were promoted to assistant vice-presidents of First Westchester National Bank, New Rochelle, N. Y. The appointments were announced at a monthly staff breakfast, at which special guests were customers Dennis James and Jan Pearce.

GLENN E. CARTER, assistant vice-president of Bank of America, was elected president of the Southern California Bank Advertisers Association. He succeeds KENNETH W. McLAREN, vice-president, Farmers & Merchants Bank, Long Beach. Other officers elected were: *Vice-president*, C. J. FRANDELL, assistant vice-president, Security Trust & Savings Bank of San Diego; *secretary-treasurer*, JACK MONAHAN of Citizens National Trust & Savings Bank, Los Angeles.

The National Bank of Great Neck, N. Y., has converted into a state trust company and henceforth will be known as CENTRAL BANK AND TRUST COMPANY.

NATIONAL BANK OF WESTCHESTER, White Plains, N. Y., will open a new office in Montrose, N. Y.

ERNEST J. BARBER has joined The First National Bank, St. Petersburg, Fla., as executive vice-president. He was formerly vice-president and trust officer of Deposit Guaranty Bank & Trust Company, Jackson, Miss.

Subject as this is written to all necessary approvals, TRADESMEN'S BANK AND TRUST COMPANY and the

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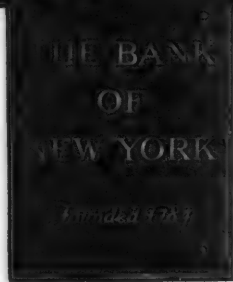
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576 Broadway Dept. B New York 12, N. Y.

MARKET STREET NATIONAL BANK, Philadelphia, have agreed to a merger. This merger was first proposed in 1899, then dropped.

MARINE MIDLAND TRUST COMPANY of Central New York has opened a new bank building adjacent to its former banking office in Manlius, N. Y.

WILLIAM B. BLACK, JR., who had been executive vice-president of the Wichita Falls (Tex.) Chamber of Commerce, has joined The Second National Bank, Houston, as assistant vice-president.

Presidents of two of the largest milling firms in the country have been elected to the board of Northwestern National Bank, Minneapolis. They are: CHARLES H. BELL, of General Mills, and PAUL S. GEROT, of Pillsbury Mills.

J. ROBERT WEBSTER, vice-president of Harris Trust and Savings Bank, Chicago, has been named treasurer of the Village of Kenilworth and the Kenilworth Park District, the Chicago suburb in which he lives.

CAPITAL BANK & TRUST Co., Baton Rouge, La., which opened for business only last May, has just started construction of its new building, which is to be completed in about eight months. There will be en-

trances from four streets, parking for 83 cars, and a motor banking area with four drive-in windows. This area will be connected to the bookkeeping department by closed circuit television.

EDWARD BERNARD has joined First Commercial Bank, Chicago, as director of customer relations. He came to the bank from a New York business engineering firm, but has past experience in Chicago banks and has been an instructor in Chicago Chapter, American Institute of Banking.

As a result of mergers with Grosse Pointe Bank, Rochester National Bank, and Utica National Bank, the NATIONAL BANK OF DETROIT now has 50 offices in and around Detroit.

The Berlin (N. J.) National Bank has become the Berlin office of FIRST CAMDEN NATIONAL BANK AND TRUST COMPANY, Camden, N. J.

TEXAS NATIONAL BANK, Houston, had a week of celebration to formally open its new 21-story building. A press party came first. Then there was a special preview party for out-of-town bankers and business friends, which culminated in a cocktail party on the pool-side terrace of the Shamrock Hotel, followed by a dinner and entertain-

(CONTINUED ON PAGE 28)



"Well, obviously a joint account is no good if we're both going to write checks!!!"

"We are well pleased with new Pittsburgh Open-Vision Front,"

*says R. N. Baltzer, Executive Vice President,
Coahoma County Bank and Trust Co., Clarksdale, Miss.*



The Coahoma County Bank & Trust Company, Clarksdale, Mississippi, is an excellent example of good Open-Vision modernization for a banking institution. Pittsburgh Products used here are Pittco® Store Front Metal and Tubelite® Doors for the entranceways. Architect: Daniel T. McGown, Memphis, Tennessee.

"We are well pleased with our new front. It makes an attractive addition to our modernized building, and we have had many favorable comments."

This is not an unusual testimonial. Many banks in all sections of the country have reported favorable reactions from depositors and prospects after an attractive modernization job. People are impressed by a modern Open-Vision front. They feel that it marks a progressive bank, that is keeping up to date

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MAIN STREET (Continued)

ment in the Emerald Room. Then came formal opening ceremonies at the bank with an open house for the general public.

The lobby of ANGLO CALIFORNIA NATIONAL BANK's head office in San Francisco is undergoing a thorough rejuvenation. This is a pretty big job, since it's the largest bank lobby west of Chicago.

ROD MACLEAN, assistant vice-president of Union Bank & Trust Co. of Los Angeles, and president of FPRA, recently marked his 35th anniversary in banking.

NATIONAL SAVINGS BANK, New Haven, Conn., used a window display to commemorate the 166th anniversary of the founding of the Federal postal system.

The FIRST NATIONAL BANK of Allentown, Pa., is celebrating its 100th anniversary.

W. J. WHYTE advanced to senior vice-president of First American State Bank, Wausau, Wis. L. J. WACHHOLZ became vice-president and cashier; JOHN G. KUTIL was promoted to vice-president.

EARL C. WILLIAMS, formerly of Chemical Corn Exchange Bank of New York, has joined the First National Bank in Palm Beach, Fla., as a trust officer.

WILLIAM F. COLLINS, formerly president of Lincoln National Bank of Chicago, has been named executive vice-president of Chatham Bank of Chicago. New president at Lincoln National is J. KAULAS, Jr., formerly cashier of Merchandise National Bank of Chicago. He is succeeded at Merchandise by MARTIN C. EVENHOUSE.

DON WYARD, an examiner with Northwest Bancorporation, Minneapolis, has been named vice-president of Billings (Mont.) State Bank.

JOHN R. MCGINLEY, vice-president of Marine Midland Trust Company, New York, has been named chairman of the banks and trust companies division in the Travelers Aid Society's fund-raising campaign.

L. L. COLBERT, president of Chrysler Corporation, and ROBERT G. PAGE, president of Phelps Dodge Corporation, were elected trustees of The Hanover Bank, New York.

FIRST NATIONAL BANK, Quitaque, Texas, recently displayed in its lobby samples of several different types of uranium ore. Most were from near by.

ALBERT B. MERRILL, president of The First Trust and Deposit Co., Syracuse, N. Y., was one of seven persons honored by Syracuse University on the occasion of the dedication of its new engineering building.

(CONTINUED ON PAGE 30)

This new "neighborhood office" of City Bank and Trust Company, Jackson, Mich., is modern in every respect, has ample parking, but no drive-in windows because the bank feels it can serve better on a "face-to-face" basis



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MAIN STREET (Continued)

ing. MR. MERRILL received an honorary Doctor of Laws degree.

CLARENCE G. MICHALIS, chairman of the board of Seamen's Bank for Savings, New York City, was elected president of the Savings Banks Association of the State of New York. DANIEL T. ROWE, president of Kings Highway Savings Bank, Brooklyn, was elected vice-president.

BANK OF CALIFORNIA, San Francisco, will open a temporary office in Oakland, pending completion of a permanent building there.

The PHILADELPHIA NATIONAL BANK marked its 152d anniversary by opening another new office, the Penn Center office at 16th and Market Streets. CHARLES H. HOEFELICH, vice-president, is in charge.

The Haddonfield (N. J.) office of CAMDEN TRUST COMPANY recently held its second annual fall flower show.

A "flying swoose" was a feature of the celebration for the completion of the remodeling and expansion program of FARMERS AND MERCHANTS STATE BANK, Colby, Kans. The swoose, actually a helicopter, dropped 1,000 golden eggs (ping pong balls) on the crowd in front of the bank. The eggs were worth \$1 each with a \$5 savings account. A half-hour description of the celebration was broadcast over radio.

The CLEVELAND (Ohio) TRUST COMPANY has opened its 63rd office.



E. Dunckelmann



H. M. Grindell



David H. Green



Earl S. Eichin

EDWARD H. DUNCHELMANN has been elected cashier of Sterling National Bank & Trust Company, New York. He had resigned recently as assistant treasurer of Bankers Trust Company. Prior to the merger of Bankers Trust with Public National Bank & Trust Co., he had been an assistant vice-president of Public National, in charge of operations of branch offices, duties he continued following the merger. MR. DUNCHELMANN is a past president of New York Chapter, American Institute of Banking, is an alumnus of The Graduate School of Banking. He's also a member of the Bank Management Conference of the New York Clearing House.

H. M. GRINDELL has been named supervisor of Dominican Republic, Haiti, and Puerto Rico branches of Royal Bank of Canada. He had been manager of the Havana branch since 1946.

The GREEN POINT SAVINGS BANK, Brooklyn, N. Y., held two open houses a week apart. The first was for its Manhattan Avenue office which had undergone its third remodeling program. The other was for its Canarsie office, which also had to be enlarged.

DAVID H. GREEN advanced to vice-president of Worcester County Trust Company, Worcester, Mass., and EARL S. EICHIN has joined the bank as vice-president, coming from Security National Bank of Greensboro, N. C., where he was also a vice-president.

ST. LOUIS COUNTY NATIONAL BANK, Clayton, Mo., has published a 16-page booklet on its town. Called "Super-Suburb" U.S.A., it is "the story of a town that can't stop growing, and the bank that's growing with it."

H. PALMER EDWARDS, formerly clerk and treasurer of the City of Raleigh, N. C., has been elected vice-president of the Bank of Raleigh.

MANUFACTURERS NATIONAL BANK OF DETROIT and the INDUSTRIAL NATIONAL BANK of Detroit plan a consolidation for December 30. Combined assets, as of the June 30 statement, would be \$779,594,612, and there would be 33 offices.

HERBERT C. MOSELEY was named senior vice-president of the Bank of Virginia, Richmond, a new position.

FRED E. BLOMBERG, assistant cashier of The Boatmen's National Bank of St. Louis, was honored at a dinner upon completion of 50 years with the bank. The dinner was attended by officers and employees who had completed 25 years or more with the bank. MR. BLOMBERG received a 50-year award and a platinum wrist watch.

ROBERT T. SHINKLE, Bank of America's Washington representative for the last year and a half, has been named assistant general counsel. (CONTINUED ON PAGE 32)



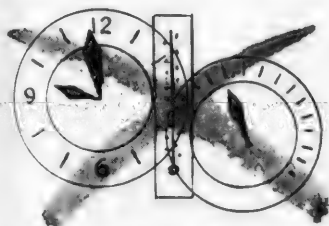
Johnny Podres, pitcher for the Brooklyn Dodgers, increases his World Series winnings through U. S. Savings Bonds. In a Port Henry, N. Y., bank, he puts his \$9,768.21 into bonds which will mature at \$13,000

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MAIN STREET (Continued)

sel at the bank's San Francisco headquarters.

FIRST NATIONAL BANK of Enfield, Ill., held an open house to celebrate its 50th anniversary.

GERALD M. ANDERSON, heretofore executive vice-president and director of the Stroudsburg (Pa.) Security Trust Company, is now executive vice-president and director of the National Bank of Pottstown, Pa. He's an alumnus, class of 1947, of The Graduate School of Banking.

WM. L. ROSS, was named executive vice-president in charge of operations at the Citizens' National Bank of Linton, Ind. Murl Bailey advanced to cashier.

ROBERT L. MYERS, JR., Pennsylvania's Secretary of Banking, was awarded an honorary life membership in the Central Pennsylvania Conference of the National Association of Bank Auditors and Comptrollers.

THE FIRST NATIONAL BANK OF LAWRENCE COUNTY, New Castle, Pa., held an open house to celebrate its 100th anniversary.

JOHN J. CUMMINGS, JR., and HENRY F. TINGLEY, JR., have advanced to vice-presidencies at Industrial National Bank of Providence, R.I.

FULTON NATIONAL BANK's big new building in Atlanta, Ga., has been opened with appropriate ceremonies.



A. L. Midyette



J. C. Richards

ALBERT L. MIDYETTE was elected vice-president and cashier of the Bank of Gaffney, S. C. He had been assistant vice-president of the Bank of Greenwood, S. C. In his new position he is executive officer in charge of operations.

JOHN G. RICHARDS was named petroleum engineer in the oil loan division of the Fort Worth National Bank.

FRANKLIN SAVINGS BANK, New York City, has received a plaque for the most distinguished use of match book advertising by a bank in 1955.

A merger is proposed of the Farmers and Merchants' Bank of Provo, Utah, into the WALKER BANK & TRUST COMPANY, Salt Lake City.

FRANKLIN G. BOLMEYER has been promoted to manager of the new Bay Village office of Cleveland (Ohio) Trust Company. GERARD VAN LINGE was named assistant manager.

FIRST WESTERN BANK AND TRUST COMPANY has selected a site in downtown Los Angeles for its main office in Southern California. Until a new office can be built, space has been leased.

This modern new Los Angeles office of Community Bank of Huntington Park and Burbank, Calif., is the West's first island-type 5-window drive-in. The plan would allow for 8 drive-in windows without major structural changes





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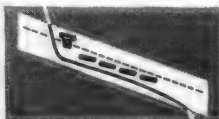
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The OUTLOOK and CONDITION OF BUSINESS

THE immediate outlook for production, sales and general activity remains good. The momentum of the boom and the prospect of an active Christmas season will take care of that.

The longer outlook is obscure because of the President's illness. The affliction itself may be temporary but the resulting uncertainty will be with us for a while.

In all the millions of words strung together about the business outlook this year there was probably no reference to electro-cardiograms until, one day, business discovered it had been looking at the wrong charts.

Now there is a determined tendency to keep whistling the familiar tunes about rising productivity, rising population, rising incomes, rising employment and rising everything, but it will be several months before we know what lasting effects, if any, the President's illness will have on business.

Those who anticipate little or no effects say that both political parties offer much the same kind of program, dynamic expansion with inflationary overtones. Also, they feel that the vitality of our economy is so great that it cannot be influenced by the political identity of the occupant of the White House.

Those who take the opposite view say the important thing is not parties but people and right now business happens to have confidence in those handling monetary policy and other delicate precision instruments.

The truth perhaps is somewhere in between. Certainly we now have on the program some unscheduled developments of a kind that business normally finds disturbing, for example, a political Donnybrook Fair and probably a lively wake for the departed Spirit of Geneva.

In both political parties there are people of all shades of political opinion from far left to far right, and everybody will try to get into the act. The result will be some compromises of such brilliant and masterful character that the ordinary citizen won't have the slightest idea what he is voting for.

Increasing Importance of Monetary Policy

Monetary policy has become more important to our economic health than ever before because business leaders have confidence in the policy makers and are generally willing to take their cue from those directing the performance. There is orchestration present today in the administration of monetary policy that is almost unique in history. Differences of opinion—yes, and sometimes in the open, but Toscanini himself could not have achieved more harmony than we have seen lately among diverse agencies in the handling of credit controls.

It was almost a year ago that business began to feel its oats and the first gentle tug at the credit reins. Time and again during the year moves have been made, and actions taken indicating that the policy making authorities were concerned about the rate of business expansion. (See survey of bank lending policies, p. 36.)

Putting a curb of any kind on business is a very unpopular thing to do and if the man in the street does not have confidence in the competence and integrity of those who are doing the curbing one of two things happens. He becomes frightened or he pays no attention, the result in either case being bad.

When the presidents of the 12 Federal Reserve banks met with the Board in Washington a few weeks after the President's illness, the consensus was that nothing had occurred to warrant a change in the policy of moderate credit restraint. At the same time it was recognized that a new and unpredictable element had entered the picture which could conceivably slow the boom and warrant a lessening of restraint.

So the Open Market Committee is watching the situation with special care and will not hesitate to change its policy if necessary. The effect of any such action, however slight, would be greatly enhanced by the fact that the banking and business community are increasingly alert to such signals and guided by them.

Very recently Arthur Burns, chairman of the Presi-

(CONTINUED ON PAGE 162)

Monetary Policy and the Present Credit Situation

Survey Reveals Bankers' Appraisal of Credit Availability and Views on Monetary Policy Effectiveness

E. SHERMAN ADAMS

Dr. Adams is deputy manager of the American Bankers Association in charge of the Department of Monetary Policy and of the Economic Policy Commission, American Bankers Association.

Additional copies of this article, in reasonable quantities, can be obtained by writing to the Department of Monetary Policy, American Bankers Association, 12 East 36th Street, New York 16, N. Y.

WITH business at record-breaking levels, what degree of restraint should be exerted on credit by monetary policy?

This is the momentous and difficult problem with which the Federal Reserve authorities are now confronted. Their decisions obviously may have far-reaching effects upon banking and upon the entire economy.

Many questions are involved. Just what is the situation today with respect to various types of credit? Are some categories dangerously easy? Are others becoming too tight? Are there significant variations in different parts of the country? How much influence has monetary policy been exerting on bank lending and investment policies and also on the policies of nonbank lenders? How does existing monetary policy look when its effects are examined at close range from community to community?

In the hope of shedding additional light on some of these questions, the Department of Monetary Policy of the American Bankers Association has conducted a survey among commercial bankers in all parts of the country. Bankers were asked for their appraisal of the availability of credit in their localities and for their views with respect to the effects and the appropriateness of monetary policy.

Replies were received from more than a thousand banks whose combined assets constitute approximately two-thirds of the total assets of all commercial banks. On some points, the replies showed an impressive unanimity of banker opinion throughout the country. On other points, the survey revealed marked differences in various states. Altogether the replies present a revealing picture of how the battle for sound credit is going as viewed from the front lines.

The Problem of Monetary Policy

Before examining the results of this survey, it may be well to review briefly the objectives of monetary policy, the methods it employs, and the channels through which it operates.

The general aim of monetary policy is to promote stable economic growth. During a period of rapid business expansion, the primary

task of the monetary authorities is to try to help prevent an injurious overexpansion of credit. Incidentally, the results of the A.B.A. survey clearly show that bankers throughout the country are alert to the potential dangers in the present boom. Bankers share with the monetary authorities a common concern regarding the soundness of credit conditions.

The chief instruments of monetary policy are, of course, open market operations and the discount rate. During 1954 the Federal Reserve implemented its policy of "active ease" primarily by keeping the banking system well supplied with reserves by means of its open market operations in Government securities. This year its open market policy has been to supply *some* additional reserves to the banking system to finance business expansion but not enough to meet the entire demand. As a result, member banks have been forced to borrow quite heavily from the Reserve banks to meet deficiencies in their reserve positions. At the same time the Reserve banks have gradually stepped up their discount rates from 1½ to 2¼%, making this borrowing more costly.

The channels through which these general instruments of monetary policy influence credit and economic conditions are numerous and their relative importance varies in differ-

ent periods. The initial impact of these measures, of course, is on the banks, but there may also be important indirect effects, sooner or later, on the activities of nonbank lenders, including insurance companies, mutual savings banks, finance companies, merchants and individual investors.

One of the things that makes life complicated for the monetary authorities is that it takes varying periods of time for the effects of their actions to eddy out into the various credit markets throughout the country. Some of the effects are immediate but others may at times be long delayed.

Generally speaking, bank credit is quite responsive to changes in monetary policy, whereas some types of nonbank credit are not. In examining the results of the A.B.A. survey, therefore, let us first look at the situation with respect to bank credit and then proceed to nonbank credit.

Monetary Policy and Bank Credit

In the area of bank credit, it should be emphasized at the outset that monetary policy is to a large extent concerned with regulating the money supply and that it does so through restricting the total volume of bank loans and investments. If an increase in bank loans is offset by an equivalent reduction in bank investments, there is no net change in the money supply. Since changes in bank loans are caused primarily by changes in the credit needs of bank customers, monetary policy can influence the money supply chiefly through its effects upon the volume of bank investments.

Published figures show that during 1954 when the policy of "active ease" was in effect, the banks were encouraged and enabled to add substantially to their holdings of investments. This year monetary policy has been more restrictive and

banks have been forced to liquidate securities.

For example, during the first six months of 1954, investments of all commercial banks *increased* by about \$1-billion, which tended to cause an equivalent increase in the money supply. By contrast, during the first half of 1955, bank investments *decreased* by \$5½-billion, tending to cause an equivalent reduction in the money supply.

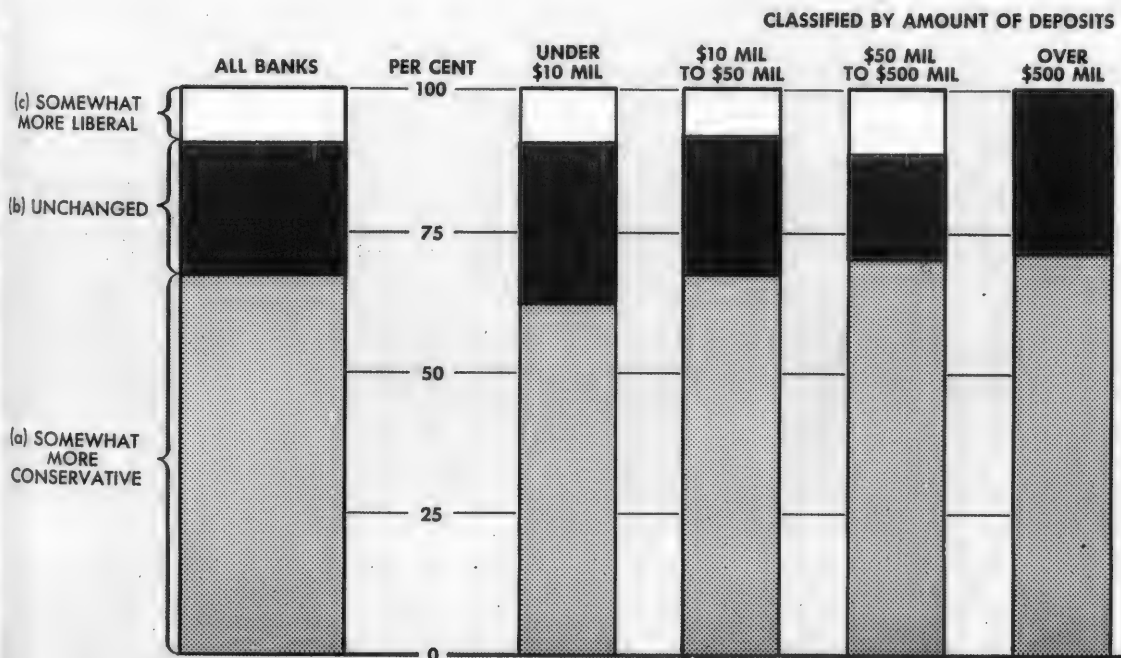
In addition to its effects upon money supply through its influence upon bank investments, monetary policy may also encourage banks to be somewhat more selective in making loans, thereby tightening up somewhat on the availability of bank credit. This influence on bank lending policies has always been difficult to appraise. It is a matter on which the A.B.A. survey sheds some illumination.

Bankers Are More Cautious

As Table I shows, two-thirds of

TABLE I—BANK LENDING HAS BECOME MORE SELECTIVE

Percentages of banks reporting that since 1954 their lending policies on balance (a) have become somewhat more conservative; (b) are unchanged; or (c) have become somewhat more liberal



all the banks participating in the survey reported that they have become somewhat more conservative in their lending operations since the end of 1954. An additional 24% reported no net change in lending policy, while only 9% indicated a net tendency in the direction of liberalization.

Generally speaking, the replies to this question were very much the same from all parts of the country. As shown by Table I, however, there was noticeably less modification of lending policies among smaller institutions.

In interpreting these results, it should be remembered that many bankers, especially in smaller institutions, do not think in terms of making their lending policies more strict or more liberal from year to year. As an Illinois banker put it, "our loaning policy has been consistently conservative and has not required modification."

Many a banker thinks of his loan

policy as being a continuing policy of serving the legitimate credit needs of his community at all times. He knows from long experience that, when he analyzes a loan application, the key considerations should be the purpose of the loan and ability to repay. His appraisal of ability to repay may be influenced at times by changes in economic conditions but he does not always think of this as being a change in his lending policy.

In larger banks where lending authority is widely dispersed, there is need for more precise policy definitions. This is probably one reason why larger banks report more change in their lending policies than smaller banks.

It should be emphasized that in almost all instances the shift of bank lending in the direction of conservatism has been moderate. For the most part, policy changes simply reflect a somewhat greater degree of caution. Here are some typical comments:

From Iowa: "Scanning applications a little more closely."

From New Jersey: "Present economic conditions require closer study of borrowers' ability to repay."

From Pennsylvania: "We feel it is time to be somewhat more cautious."

From New Mexico: "We believe that present conditions warrant a more careful screening of loan applications."

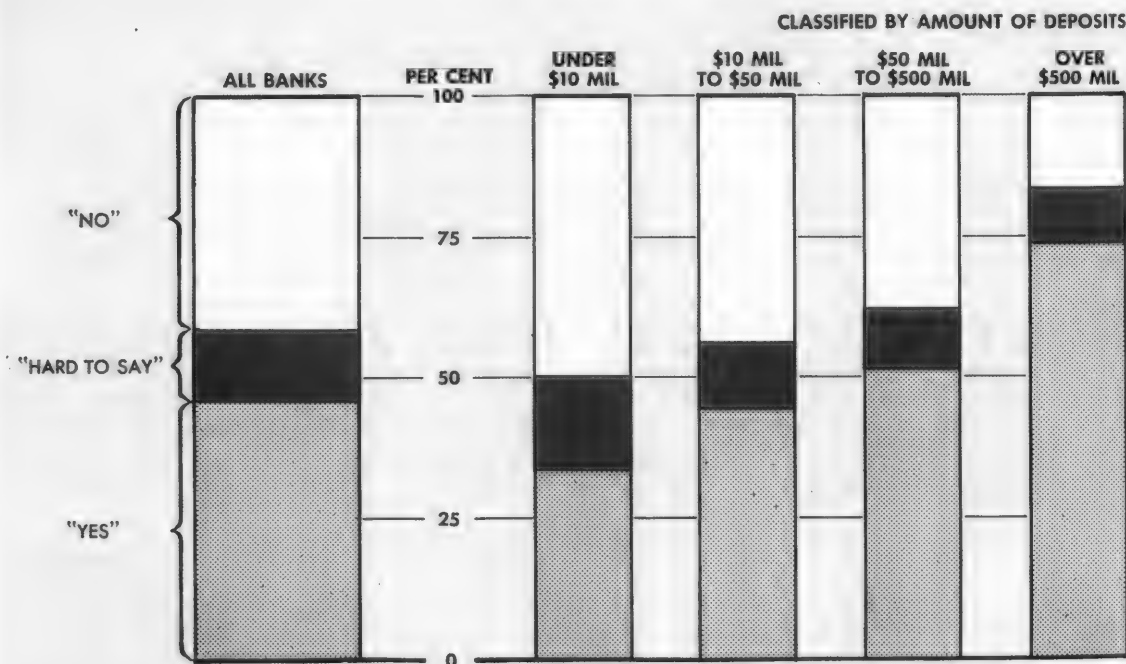
Similarly, banks reporting a net shift in the direction of more liberal lending also indicate that their tendency in that direction has been only moderate. In almost all of these cases, relaxation has occurred only with respect to automobile loans, and even in this category liberalization has been quite limited.

A Variety of Reasons

In many cases bankers have become more conservative only with respect to particular categories of

TABLE II—MONETARY POLICY HAS INFLUENCED BANK LENDING

Percentage distribution of answers by banks as to whether the shift in monetary policy since 1954 has influenced them toward being somewhat more selective in making loans than they might otherwise have been



loans and cite special reasons for these shifts. For instance:

From Indiana: "On agricultural loans, decreased ability to pay. Watching more carefully."

From Ohio: "We are afraid real estate loans have expanded too fast."

From Wyoming: "Increasingly difficult for average rancher to produce a profit from raising livestock."

On the other hand, some bankers have become more conservative with respect to all of their lending activities because of general conditions in their areas. This applies particularly, though not exclusively, to some agricultural sections, as the following comments indicate:

From Oklahoma: "In our local community, we have had poor crops for the last three years, which necessitates more careful loaning."

From North Carolina: "Declining income to farmers affecting ability of borrowers to repay loans."

From Indiana: "Local labor unrest."

From up-state New York: "One of our large carpet industries is leaving our city."

From Georgia: "Drought in 1954 and mill strike in 1955 made a more conservative lending policy necessary in our local community."

Influence of Monetary Policy

Despite this diversity of factors, the results of the survey indicate that the chief reasons for increased selectivity in bank lending this year have been the development of boom conditions and the shift in the monetary policy of the Federal Reserve System.

These two factors are inextricably interrelated. Banks have reacted to the rising demand for credit in very much the same way that monetary policy has. A large Chicago bank points out that, whereas monetary policy has probably had some influence on its lending policies, "it might be more accurate to say that we were influenced by those factors

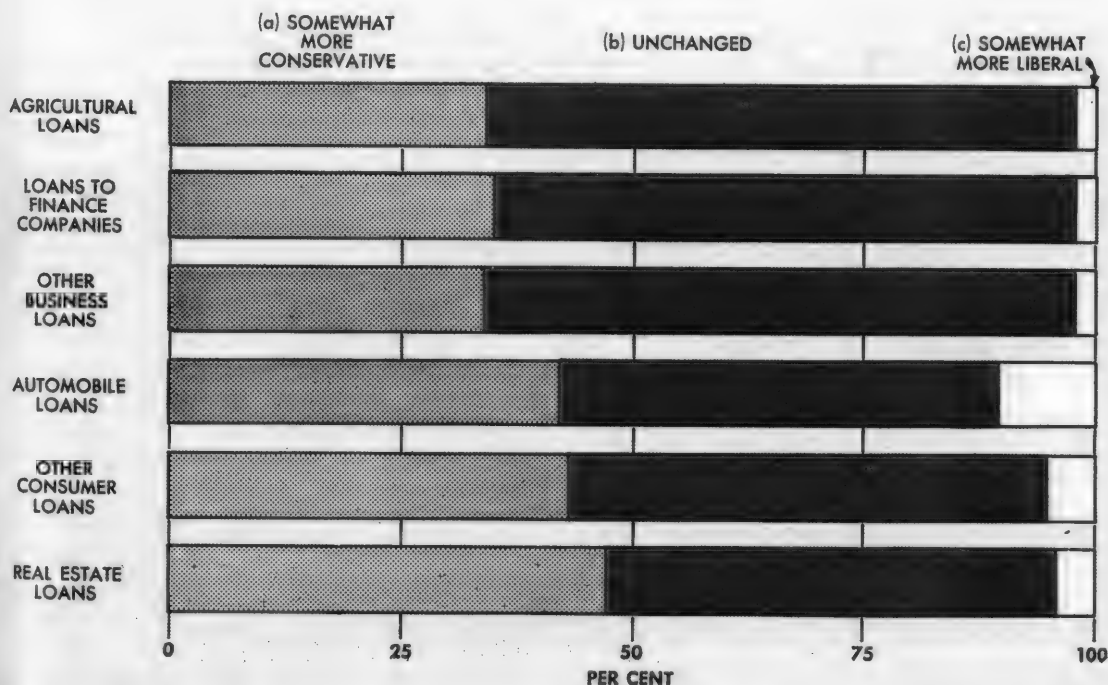
which caused the change in monetary policy rather than by the change in monetary policy itself."

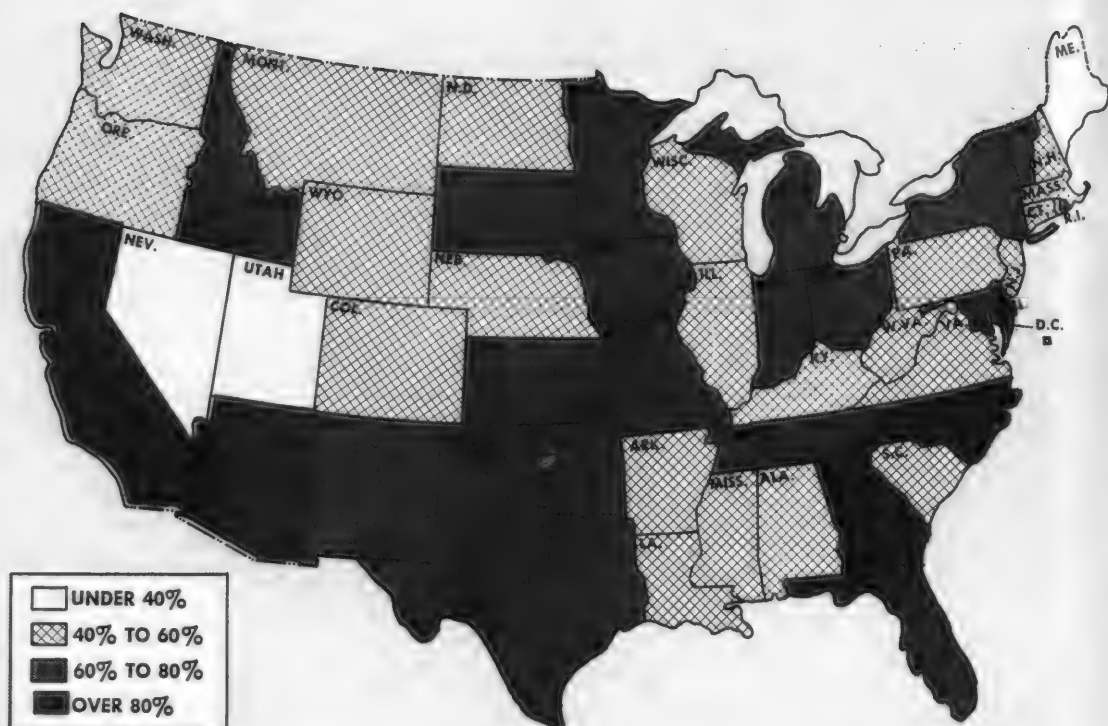
This is a tough one to untangle. From the standpoint of the individual banker, it is almost impossible to say just what the effects of Federal Reserve policy are upon his institution. Looking at the banking system as a whole, it is clear that Federal Reserve policy has helped to restrict the growth in total bank deposits. As a result, the increased demand for loans has resulted in a rising ratio of loans to deposits. The survey results show that this has been one of the strongest factors tending to induce greater conservatism in bank lending. On the other hand, to the banker in Worcester, Tallahassee or Klamath Falls, this development appears to be largely a local phenomenon. Some illustrations:

From Michigan: "Loans beginning to constitute too large a proportion of total assets."

TABLE III—HOW POLICY VARIES WITH TYPES OF LOANS

Percentages of banks reporting that since 1954 their lending policies with respect to various types of loans (a) have become somewhat more conservative; (b) are unchanged; or (c) have become somewhat more liberal





MAP A—THE PATTERN OF CONSUMER CREDIT

Percentages of banks in each state reporting that various types of consumer loans are too easily available in their localities

From Connecticut: "Loans are high in relation to deposits."

From California: "Our loans are heavy in proportion to deposits."

It is apparent that some bankers do not think of their shortage of loanable funds as being very directly influenced by Federal Reserve policy. Here are some of the reasons cited for being more conservative by bankers who do not consider that their policies have been noticeably affected by the Federal's more restrictive monetary policy:

A Pennsylvania banker: "Fairly well loaned up and do not care to sell securities in this market."

An Indiana banker: "Demand for loans greater than supply of funds."

Despite the difficulty of tracing its effects, many bankers report that monetary policy has been among the factors influencing them in the direction of conservatism. As Table II shows, larger banks, as might be expected, are much more aware of the effects of monetary policy than

smaller institutions. However, comparison of Table II with Table I strongly suggests that monetary policy may actually influence the policies of the smaller institutions to a greater extent than they themselves realize. Similarly, these tables suggest that, whereas there appears to be some lag in the impact of monetary policy on smaller banks, this lag may be nowhere near as great as is sometimes assumed.

Cooperation with Federal Reserve

One reason for this is the desire on the part of the banks to cooperate with the monetary authorities. Here are some representative comments:

From North Carolina: "Increase in rediscount rate indicates a curb to inflationary trend. It is our bank's intention to cooperate with this policy."

From Illinois: "To cooperate with

authorities toward a more restrictive monetary policy."

From Tennessee: "Cooperating with policy of Federal Reserve Board."

From Connecticut: "Desire to cooperate with money managers."

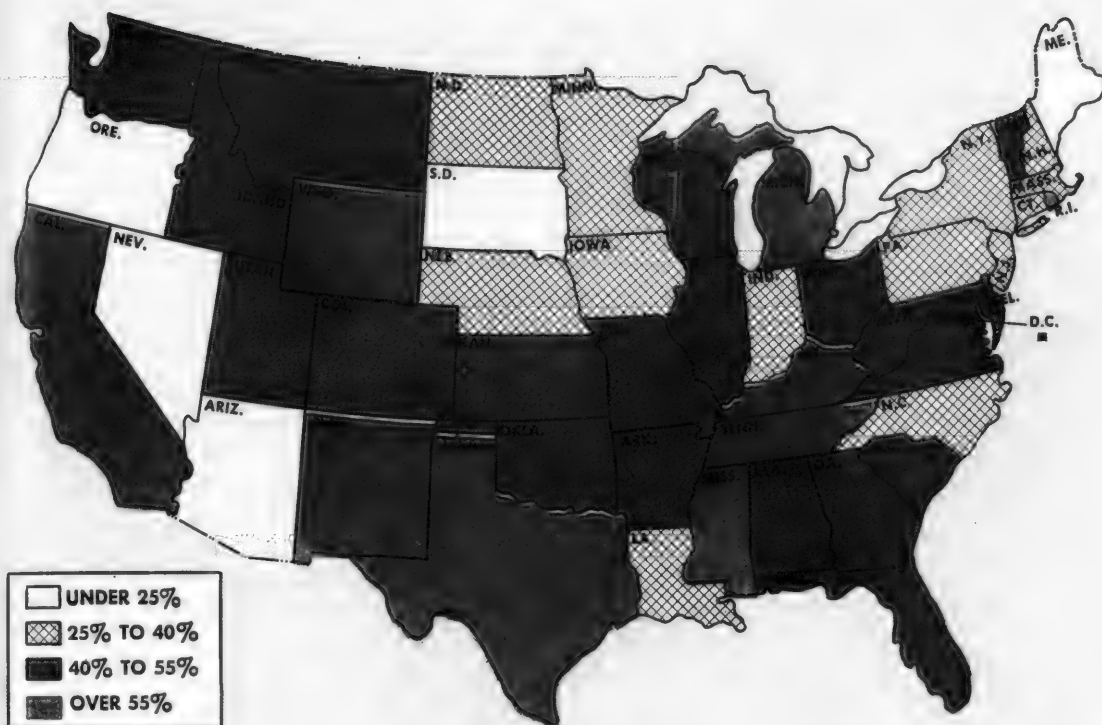
Many bankers, however, emphasized this desire to help stop inflation but without citing monetary policy as being a factor in their thinking. Comments along these lines came from all parts of the country:

From Pennsylvania: "We believe the expansion is too rapid."

From Texas: "We feel that we should apply some restraint to slow down this boom."

From Iowa: "Resistance to inflationary trends."

It is clear, therefore, that many bankers have tended toward conservatism because of their appraisal of economic trends. The more restrictive credit policy of the Federal Reserve has doubtless contrib-



MAP B—THE PATTERN OF MORTGAGE CREDIT

Percentages of banks in each state reporting indications that easy mortgage credit may encourage overbuilding of dwelling units in their localities within the next 12 months

uted to some extent to that appraisal, but just how much it is hard to say.

Various Types of Loans

As Table III indicates, the tendency toward conservatism is apparent for all types of bank loans, but the pattern differs for various categories.

In the case of agricultural loans and loans to business, about one-third of the banks reported a shift toward greater selectivity. Practically all of the other two-thirds reported no change in policy in these loan categories, with only 2% indicating a tendency toward greater liberality.

Automobile loans are obviously a special case. Forty-two percent of the banks reported a tendency toward greater conservatism. On the other hand, 10 bankers out of every hundred stated that they had liberalized terms somewhat. Most of these asserted that they had been

forced to liberalize by competition from nonbank lenders. Evidence to support this contention is furnished by the fact that these same bankers have become more conservative, on balance, with respect to all other types of loans.

As for other consumer loans, only one bank out of 20 reported more liberal terms, whereas 43% reported greater conservatism.

As Table III indicates, the tendency toward conservatism is most marked with respect to real estate loans. A number of banks reported that they had reached, or were approaching, their legal limits for mortgages. Others are wary of developments in the housing market in their localities. For example, here are reports from two communities:

One in Illinois: "Prices of older homes too high and requests for mortgage loans too great in proportion to our idea of values."

One in Kentucky: "Housing construction nearing saturation."

It is evident from the replies that, by and large, bankers regard *bank* credit as being in healthy condition. Only in a very few cases did bankers report that banks in their localities are lending too freely. Similarly, very few indicated that they were experiencing any difficulty in meeting the legitimate credit needs of their customers.

In short, bank lending policies appear to be well adjusted to the needs of the times. This is one of the important criteria for judging the appropriateness of monetary policy. From the standpoint of this particular criterion, monetary policy appears to be well adapted to prevailing economic conditions.

Status of Nonbank Credit

The situation is very different, however, in the case of some types of nonbank credit. Bankers were polled as to whether, in their judgment, certain types of credit are too

(CONTINUED ON PAGE 155)

Mortgage Servicing Income and Taxation

Taxation of a bank becomes excessive when it impairs the growth and absorbs "income" which has not yet been earned

JOSEPH E. HUGHES

SHOULD mortgage servicing income received by banking institutions, engaged in the servicing of mortgages for others, be treated in a manner incompatible with the treatment accorded costs incurred in the earning of such income? An interesting question.

For example, consider a typical $4\frac{1}{2}\%$ mortgage of \$10,000 payable in equal monthly payments over a 20-year period, where the mortgagee engages the services of an experienced organization to undertake the mortgage servicing responsibilities, for which a charge is to be made at the rate of $\frac{1}{2}\%$ per annum on unpaid mortgage balances. Aggregate interest payable over the 20-year period will amount to \$5,178.49. The mortgage servicing organization can anticipate service charges to be received over the 20-year period of \$575.60, against which its probable costs have been estimated at \$333.60, leaving projected profit of \$242.00. If these figures were divided equally over 20 years, then for each year of the mortgage existence it would be reasonable to expect a profit, before taxes, from servicing this mortgage of \$12.10 ($1/20$ of \$242.00).

Servicing a 20-year mortgage requires the same effort during each year of the mortgage life, whether it be the first or 20th year. Consider the nature of the services rendered. In the illustration given above, the servicing organization is required during the mortgage term to collect each monthly instalment as provided under the mortgage agreement. It is also required to collect a monthly escrow instalment, determined each year in advance and estimated as sufficient to pay the property taxes and insurance. It is required to make monthly remittances to the mortgagee and pay property charges when due. Aside from these routine formalities, there

are many other collateral functions undertaken by the servicer on behalf of the mortgagee, and for his protection, that are an integral part of the servicer's contractual responsibility through the mortgage life.

Cost applicable to servicing of any mortgage should remain substantially the same for each year, except for possible cost adjustments caused by economic changes. That costs in the future will rise or at least not be materially reduced within a 20-year period can be reasonably expected on the basis of past experience.

One recent cost study arrived at a figure of \$1.39 as the cost per month of servicing a mortgage. This reflected an increase in certain areas affected by direct labor costs, despite an over-all reduction in costs effected through the installation and

The author is chairman of the Board of Regents of The Graduate School of Banking conducted by the American Bankers Association at Rutgers University and president, The County Trust Company, White Plains, N. Y.



use of mechanical and electronic devices. Applying the monthly cost figure of \$1.39 to the 20-year mortgage previously discussed, a figure of \$333.60 is arrived at as the projected cost of servicing the mortgage over the entire 20-year period, an average of \$16.68 per year. And the costs incurred on this mortgage during each year in the period will probably not vary materially from the average except for increases induced by rising costs generally.

If servicing income on the 20-year mortgage were also received in equal amounts over the mortgage life, there would be no problem. But in actual practice the service charge is at a maximum for the first year and at a minimum for the 20th year—a practice acceptable to mortgagees because of the constant prorata relationship between cost and income. On the other hand, the mortgage servicing institution is, during the early years of the mortgage life, abnormally inflating its income on which substantial income taxes are payable without allowance for reserves to cover the obvious losses to be sustained during the later years of the mortgage life. Some idea of the wide divergence in income is indicated in the following comparisons applicable to a $4\frac{1}{2}\%$, 20-year, \$10,000 mortgage, involving the $\frac{1}{2}\%$ service charge:

Year of Mortgage Life	Mortgage Interest	Service Charge
1st	\$443.55	\$49.28
5th	381.31	42.36
10th	286.07	31.80
15th	166.85	18.60
20th	17.61	1.92

There is little doubt as to the desirability of establishing reserves for the excess abnormal income received during the early years of each mortgage life for the purpose

of anticipating the excess costs to be incurred during the later life of the mortgage. Whether such reserves are called estimates of future expenses or deferred income is a detail of terminology. Setting up the reserve would have little meaning, however, until such time as it received recognition in the form of tax relief. Use of this procedure in the past has been discouraged by the internal revenue laws, under which it has been ruled that a service charge received during the first year, however abnormal it may be, was subject to no restriction as to its use and disposition and therefore is subject to tax in its entirety. There is no doubt the receipt of a service charge is unrestricted as to use, but, nevertheless, it is received on the basis of a contract entered into between the mortgagee and the servicer whereby the servicer is obligated to continue servicing the mortgage until its final payment. To treat the first year's servicing charges as income in their entirety, without reserve for future loss years, and to tax such income in full tends to present a temporary picture of operations at variance with the longer-range results and

does not lend to conservative or financial stability, particularly when applied to a banking institution in the mortgage servicing field.

Opportunities for additional income are a matter of constant study by bankers. Where such incomes can be construed as having been earned during a current period, they should be included in current earnings. But where the incomes are obviously abnormal as to a current period and involve contractual obligations to perform costly services in the future, justification exists for establishment of reserves to meet those future costs. The matching of costs with revenues is one of the fundamental purposes of accounting and seems applicable to the matching of mortgage servicing income with the costs incurred to earn such income.

Supervisory authorities in the banking system are constantly alert to assure that banking capital is adequate for the protection of depositors. Increasing of risk assets has placed further significance on the matter of capital. A natural source of increased bank capital is through its earnings and, when those earnings are inequitably restricted through excess taxation,

then, in effect, such taxes are affecting the banking system. Taxation of a bank becomes excessive when it impairs the growth and absorbs income which has not been earned in the broad sense of the term.

In this era of rising costs and high taxes it is not surprising that banks are finding it difficult to increase capital funds through earnings in proportion to the increase in deposits. Nor is it surprising that many banks have found it desirable through mergers to be relieved of the pressure imposed upon them to maintain a conservative financial stability, aside from other reasons for which mergers have been undertaken. Preference for stock dividends and issuance of rights to bank stockholders, rather than payments of cash dividends stem, in part, from the reluctance to deplete capital funds needed for expanding requirements. In view of the restrictions surrounding banking operations and the necessity of maintaining a sound financial position, it seems reasonable to suggest that banks be given sufficient latitude to increase their capital funds through earnings without impairment by inequitable taxation.

Vigilance Urged by Economic Policy Commission

THE Economic Policy Commission of the American Bankers Association issued a statement at the A.B.A.'s Chicago convention to the effect that Americans have a common central objective in achieving a stable economic growth while at the same time avoiding inflation.

The official statement follows:

A Time for Vigilance

A statement by the Economic Policy Commission of the American Bankers Association

We Americans are now enjoying exceptionally prosperous conditions. Our task for the future is to maintain prosperity and growth while at the same time avoiding further inflation.

This should be our common central objective. If a reasonably stable economic growth can be achieved,

every part of the population can share in the years ahead in the increasing benefits of our dynamic and tremendously productive economy.

With the exception of some weakness in agriculture, our present prosperity is broadly based. The recovery and growth of the past year attest the strength and resilience of the economy. It is highly significant that this upswing occurred without drastic intervention by government.

We know from past experience, however, that periods of prosperity often produce excesses that lead to trouble. At a time like this, it would be foolish to ignore potential trouble spots which could sooner or later endanger the stability and growth of the country.

While no one can foresee what the future holds, there appear to be at present five principal areas in which trouble might develop: (1)

in credit; (2) in business inventories; (3) in wages; (4) in the stock market; and (5) in Federal fiscal policies. Excesses in any of these areas could have serious consequences for the entire economy, especially if they were to occur in several areas at the same time.

The efforts of the Federal Reserve authorities to prevent injurious credit expansion deserve commendation and the support of all groups in the community.

Banks' Special Responsibility

Banks have special responsibilities in this area, not only to support the Federal Reserve's flexible monetary policy, but also to help to maintain the quality of credit. These responsibilities are shared by other types of credit agencies—governmental as well as private. In-

(CONTINUED ON PAGE 149)

METHODS and IDEAS

Operating Procedures

This department, which includes "Public Relations," is by JOHN L. COOLEY of BANKING's staff.

Forms for Direct Positive Verification

FROM M. A. Kuhn, treasurer of Chittenden Trust Company, Burlington, Vt., come two snap-out forms designed for the auditing department's use in direct positive verification of notes and savings accounts. Their purpose is to "save all the necessary proving and copying which has heretofore been required when making this type of audit," says Mr. Kuhn.


"The forms are typed directly from the bank's records and a proof is taken from the amounts. They are then ready to be snapped out.


"The first two copies are mailed to the customer, together with a return self-addressed envelope. The third copy, kept by the auditor, is used to 'match up' with the form the customer will return with the request. By matching up forms on those which agree, the number of accounts continually diminishes so that the auditor has an easy group of 'kickers' to work with."

"What's New?"

WHEN you ask that question of the bank equipment people these days the answer could be, "Well, we can tell you what's new today—but come around tomorrow and see what we'll have then."

A tour of the Educational Displays at the A.B.A. Chicago convention included, for hundreds of bankers, stops at booths where some of the machines were demonstrating their miraculous abilities

<p>CHITTENDEN TRUST COMPANY "The Good Will Bank" Serving Northern Vermont</p>
<p>For the purpose of the usual periodic examination of the Valley Bank Division of the Chittenden Trust Company will you please verify the balance on your savings account as of September 9, 1955</p> <p>According to our records the number of your account and balance is as follows:</p> <p>\$</p> <p>If this agrees with your records please sign and return the attached form in the enclosed envelope. Any difference should be reported in the space provided.</p> <p>Yours very truly,</p> <p>CHITTENDEN TRUST COMPANY, Burlington, Vermont. R. E. OLIVER, Auditor</p>


<p>CHITTENDEN TRUST COMPANY "The Good Will Bank" Serving Northern Vermont</p>
<p>For the purpose of the usual periodic examination of the books of the of the Chittenden Trust Company at the close of business will you please verify with your records the balance(s) due on your note(s) listed below as of the above date. If these agree, please sign and return the attached form in the envelope enclosed. Any difference should be reported in the space provided.</p> <p>Your prompt attention will be very much appreciated.</p> <p>Yours very truly,</p> <p>CHITTENDEN TRUST COMPANY, Burlington, Vermont. R. E. OLIVER, Auditor</p>


Form at left is for savings account direct verification. One at right is for notes

to make the banking processes swifter and surer. We venture to report briefly on three pieces of equipment, offered as "new."

An electronic bookkeeping machine developed by National Cash Register Company makes possible for the first time "the automatic pickup of old account balances on conventional bank forms and incorporates other major bookkeeping innovations." The announcement went on to say: "By picking up electronically, rather than manually, data previously recorded, it will enable banks to establish a degree of accuracy in checking-account bookkeeping which heretofore could be realized only through time-consuming and costly duplication of effort. It electronically verifies the proper depositor account selection, picks up, and verifies the depositor's old account balance, decides if the account balance is a positive balance or an overdraft,

and handles it accordingly. It also picks up and verifies the check count."

A development model of a Burroughs machine that brings "a high degree of automation to bank and general posting" also made its debut at the convention. The device combines electromechanical and electronic principles to perform several posting operations, unaided by the operator. A magnetic code stripe on the back of the form gives instructions to the machine. "When the operator drops the form into the carriage," said the announcement, "the machine adjusts the sheet so that there is proper vertical and horizontal alignment with the last previously printed item. At the same time the machine acts on instructions from the tape to print the old balance. When entries are made by the operator, those items also are printed on the sheet. The machine automatically computes

and prints the new balance and records it magnetically on the stripe for future posting. When the operation is completed the machine ejects the form. The account number can be coded on the stripe."

Monroe Calculating Machine Company offered an "auto-punch" bookkeeping machine. "Significant items posted on its journal sheet or ledger card by the machine are automatically duplicated in a punched tape or tabulator card. So the tape, a by-product of the posting operation, is important, for its perforations become a common language that controls the operations of the office machines for automatically transferring and repeating parts of the posting work. These other machines can be teletype for wire transmission, the card punch for preparing tabulating cards, or the machine for typing. Tapes can be mailed to another location or stored and used again. As the original work is proved at the source by the journal transcript, the punched tape is correct; there can be no chance of omissions or transpositions."

6 Steps to End Bank Holdups

A SIX-STEP program to put the daytime bank bandit out of business was offered to bankers visiting the Educational Displays at the convention.

John Mosler, executive vice-president of the Mosler Safe Company, emphasized that modern technical developments in bank equipment have made it possible to eliminate daytime stickup men as a menace.

The six steps are:

(1) Install an effective alarm system. There are many types of special alarm designs to protect your employees and foil all types of attack.

(2) Vary employee work routine every day.

(3) Keep "bait money" on hand. This should be given to hold-up men. Series year and serial numbers of the bills should be turned over to law officials immediately after a holdup.

(4) Keep large sums of money under delayed timelock protection.

(5) Demand identification from unfamiliar maintenance employees. Make certain that they are what

(CONTINUED ON PAGE 144)

B. of A.'s Paul Bunyan Bookkeeper

As you may have read in the newspapers, ERMA, the 25-ton automatic bookkeeper, is ready to work for Bank of America in California.

ERMA (short for Electronic Recording Machine-Accounting) was introduced to the press at its birthplace, Stanford Research Institute, as the "greatest advance in bookkeeping in the history of banking," to quote B. of A. President S. Clark Beise. It is the climax of more than five years of work by the Institute to help the bank. The first pilot model is at the S.R.I. Laboratories in Menlo Park, Calif. The complete system, after final test, goes to its permanent home in San Jose to serve B. of A.'s branches there. The present program contemplates 36 more ERMA's in selected areas throughout California.

ERMA does all the daily bookkeeping chores for 50,000 individual checking accounts. It credits individual accounts with deposits, debits withdrawals, remembers details of all transactions, maintains customers' correct balances, accepts stop-payments, and hold orders, stops when an item would overdraw or when a hold item comes along, and sorts checks. At designated periods, such as the monthend, it automatically calculates the service charge and turns out a complete printed statement for the customer at the rate of 600 lines a minute.

Nine operators can keep ERMA at average speed; they work the five input consoles, supervise, and maintain technical control.

This Paul Bunyan bookkeeper requires a specially designed check, im-

printed with the customer's name and account number printed on the front. On the back magnetic coding repeats the account number, permitting automatic disposition. Books of the new checks include deposit slips which are designed for machine handling and coding.

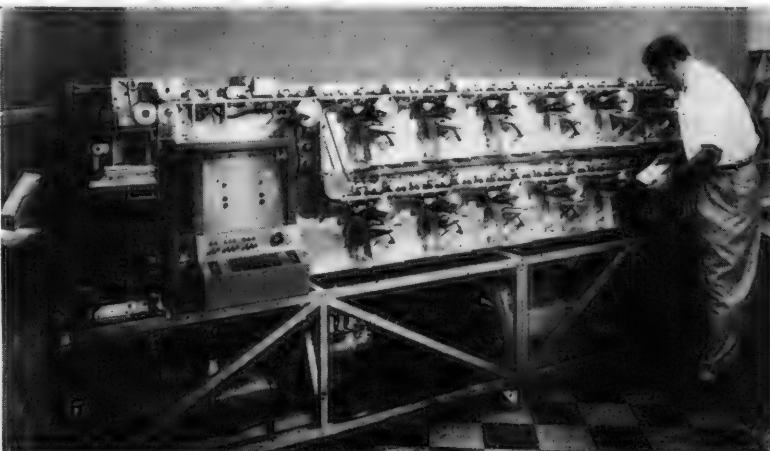
The machine's main parts are: (1) An electric reading device permitting automatic entry of items to be posted. (2) Magnetic drum storage for holding current balances of all accounts, a record of holds and stop-payments, and items in process of transfer to magnetic tape storage. (3) Magnetic recording tapes for storing all transactions, balances of all accounts, and names and addresses as they would appear on the customer statement. (4) A high speed automatic check sorter. (5) A high speed printer for producing customer statements, list of daily activity for all accounts, and other lists.

Won't Disrupt Employment

Answering the question whether its staff would be reduced by ERMA the bank said that because of California's population growth and the normal rate of bookkeeping turnover, "it would be impossible to build and install enough ERMA's to have any disrupting effect on employment."

And President Beise asserted that because ERMA eliminates 80% of the time-consuming detail in servicing checking accounts, "those of our staff benefiting from this will be freed to provide greater service for our customers and the public."

This is the check sorter, an important feature of ERMA. It separates checks by account number and bank branch. Process begins at left and is effected by magnetic ink code markings on back of check. Deposits are similarly sorted



Public Relations

Advertising . . . Promotion . . . Business Development . . .

Community and Staff Relations

New York Mutuals Run Contest

THE savings banks of New York state are running a contest.

Three hundred thirteen prizes totaling \$25,000 are offered for the completion, in 25 words or less, of this statement: "I prefer to save in a savings bank because . . ."

Entry blanks and simple rules are obtainable in person or by mail "from the savings bank in your community," or by sending the coupon attached to display advertisements. Ads give important savings bank facts that "will help you win."

First prize is \$10,000; second \$1,500; third \$1,000. There are five \$500 prizes, 10 of \$250, 20 of \$100, 50 of \$50 and \$25, and 175 of \$10 each.

The contest closes November 18.

Staff Checks Promote Bank

THIS year the 200 staff members of the Commercial National Bank of Peoria, Ill., will write nearly 40,000 checks, most of which will be used in the payment for a product or service purchased from bank customers and prospects.

To take full advantage of the many favorable impressions being made in its business community, the



H. Wilson Lloyd of J. Walter Thompson Company, New York advertising and public relations firm, speaking to the A.B.A. Public Relations Council's Chicago convention meeting. Mr. Lloyd outlined a program consisting of nine projects, including a study of family banking practices, a bank executive survey, a community service study, a college survey, publicity, a TV film program, a newspaper mat service for small towns, a study of bank awards, and periodic reports to banks. The American Bankers Association and the Association of Reserve City Bankers are carrying out this program jointly, with the cooperation of the Financial Public Relations Association

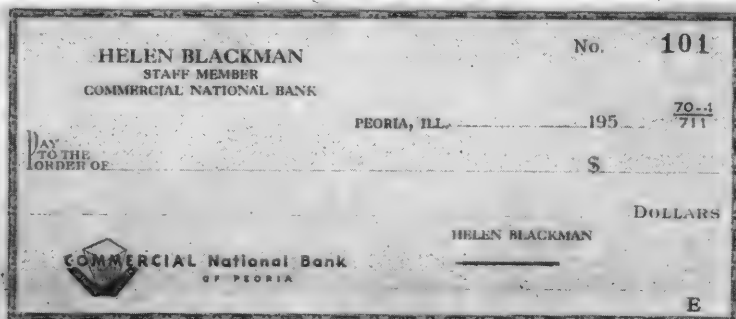
Commercial Bank now furnishes personalized checks to all employees. The checks give the individual's name and identify him or her as a member of the bank staff. The plan was publicized and advertised, and the merchants in Peoria are on notice: "Watch for the yellow checks

from the folks at the Commercial."

A standard check is used. An order of 200 costs \$1.50. Total expense for the full year will be approximately \$125 more than it would cost to furnish checks out of stock.

"It's an effective and inexpensive sales technique," says Vice-president George M. Wasem.

One of the staff checks



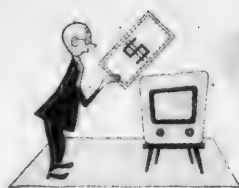
Richmond Fed Has New Film on Money

THE FEDERAL RESERVE BANK OF RICHMOND has released "You and Your Money," a 16-mm educational movie explaining some of the economic facts of life. It's a simplified version of the earlier picture, "Your Money's Worth."

The 12-minute color cartoon film outlines what makes the country's

business wheels go around, tracing the travels of a "greenback" from consumer to retailer to wholesaler to manufacturer and back to consumer. The story explains how the flow of goods and services affects the value of the dollar, points up the origins of inflation, and briefly discusses measures that may be taken to avoid them.

Prints may be borrowed from any Federal Reserve bank, at no cost, for showing to schools, clubs, and other groups. Black and white prints are also available for telecast.



When inflation drives prices higher and higher, each dollar is worth less and less. More and more things are priced out of the reach of many of us—people living on pensions and fixed incomes, salaried people, more than half the wage earners of the country. Joe Parker's dream of retirement on his savings could fade away.



"Family Dollar" Distributed at Bank's Open House

SEVERAL thousand guests at the WORTHEN BANK AND TRUST COMPANY's open house in Little Rock, Ark., received copies of *The Family Dollar*, new customer magazine published by the American Bankers Association. The party celebrated completion of the bank's modernization.

Comments on *The Family Dollar*, the bank reports, "ranged from admiration of the cover to the contents, designed to interest everybody." Worthen said it planned to distribute the magazine regularly in the future.

A dinner and dance for out-of-town bankers preceded the public's inspection of the bank's new home. More than 12,000 Little Rock residents came to the open house the following day.

Mrs. Betty Stewart of the Worthen Bank's staff hands *The Family Dollar* to a visitor at the open house



Page from a folder on "You and Your Money." Joe Parker, the chief character, works in a television factory

Incentive Campaigns

THE CITIZENS & SOUTHERN NATIONAL BANK of Atlanta introduced an employee incentive campaign by sending Roman-Egyptian coins, buried for safekeeping in the 3rd century, to its staff members. The old pieces were a reminder, of course, that many people still bury their money in dresser drawers and mattresses.

The new business campaign, called "Treasure Hunt," has as the incentive of its first six-week "emphasis period" a free trip for two people to Haiti where they will follow a treasure map to actual buried treasure—a chest containing 200 silver dollars. Before the contest opened each employee received a treasure map, mailed from Haiti.

A Report from Mellon National

Merchandise incentive campaigns conducted by an office of the MELLON NATIONAL BANK AND TRUST COMPANY, Pittsburgh, were discussed at the bank's annual correspondent meeting. Vice-president Dean B. Copeland said the results of the campaign, based on a point award system, had been very good. He suggested a number of pointers:

Banks mustn't look for immediate monetary profit; it may take a year or more to cover the cost of the campaign. But later—if the new business sticks—the profit outlook is excellent.

The campaigns provide excellent opportunities for sales training for the employees.

Success depends on management's personal attention to the campaign and how well the program is sup-

ported by publicity, advertising, promotion, and individual recognition and encouragement.

"Local Color"

MANY banks, especially in smaller communities, know the reader interest in ads that recall the past.

From UNION STATE BANK of West Salem, Wis., comes a handful of weekly newspaper advertisements built around old photographs of local folks and happenings.

For instance, there's the photo of Leonard Street before the 1911 fire. A macadam pavement had been laid but, the copy notes, "it wasn't a good job." Eventually, of course, West Salem got better streets—and, says Union in its little sales talk below the story, as they have im-

James Furniss, left, Citizens & Southern advertising manager, and Sales Manager Robert Alston prepare for distribution to the staff the ancient coins used to dramatize the current practice of "burying" money in dresser drawers and mattresses



proved, so has the bank. "We have the newest equipment to enable us to furnish the best service."

Another ad pictured the "Chas. Knudson livery and sales barn about 1898." The photo showed barn, horses, and men; the caption told the story of Charlie, "a customer of our bank since its beginning in 1897."

Each piece of copy concludes with a brief reminder of the bank's services, its up-to-date equipment, its place in the community.

The ads are written by Cashier M. A. Mau, who tells us that the paper's publisher "has a call for (CONTINUED ON PAGE 148)



National Airlines, New York City, has display material available to banks interested in promoting travel clubs. Featuring Florida, it includes model planes, scenic props, paintings, posters. The display above was in The Bank for Savings, New York City

A Bank's Teen-Age Confidence Fund

A PROJECT high in public relations and goodwill interest is the Teen-Age Confidence Fund at the MINERS NATIONAL BANK of Shenandoah, Penna.

From this \$1,000 special account the bank makes loans to high school pupils who need \$5 to \$50 for worthwhile purposes. A student committee passes on the applications. Rates, of course, impose no undue burden on the young people's ability to repay.

The plan, devised by F. H. Burke, president of the Miners, is the bank's practical expression of its interest in a community problem—juvenile delinquency. Believing that a major cause of delinquency, juvenile or otherwise, is lack of money, the Miners proceeded on the theory that the place most closely associated with money is "the bank."

"Putting these two factors together under a plan that would have a fair chance to accomplish its purpose and at the same time remain within the natural scope of banking resulted in the fund," Mr. Burke says.

Vote of Confidence

When the plan was announced the bank told the 1,200 high school students in Shenandoah:

"This plan expresses the Miners National Bank's confidence in you as a good citizen, now and for the future. Current news reports on criminal teen-age activities may mislead many as to the character of our

future citizens, but we here in this bank believe in you and are ready to back up our faith in you by putting you on an equal or even better credit basis than your mother and dad, who would probably require collateral or endorsement."

That was last May, a month before school closed. In that period, Mr. Burke tells us, the fund made 27 loans; several applications were rejected by the student committee.

That group, selected by the school authorities, sets strict standards. For instance, it rejected a girl's application for a \$25 loan to buy a bathing suit, recommending that she do her swimming in a \$10 outfit. A student who wanted \$30 to buy a camera was told that a cheaper one would be more in line with his ability to repay. A girl seeking \$30 to pay for a wedding present for her

sister was advised that although the purpose was good, she couldn't afford it; a revised application was suggested.

On the other hand, loans were made for graduation gowns, a suit, and funds to pay school dues for a class picnic.

"The processing of the loan applications has amazed all of us with the searching questions, rejections, and revisions made by the committee," says Mr. Burke.

The bank provides the student committee with a minute book, suggestions to guide its decisions, application blanks, a meeting place. It also furnishes a borrower card when a credit is approved.

Loans are granted at discounts that depend on the life of the credit. A \$10 loan runs for eight weeks, and (CONTINUED ON PAGE 146)

On the back of this borrower's card is space for recording the repayments

To the Holder of this Book—

The record contained inside these covers is a valuable one to you. Keep it for the future for when your loan is repaid it is a statement of your credit reputation and valuable for new credit transactions.

It is wise to borrow intelligently.

It is intelligent to repay regularly.

Borrowing and repayment is real saving for the future.

Your business record is one measure of your reputation, and the good name you have is worth keeping.

Miners National Bank
2-4 N. Main St. Shenandoah, Pa.

No.

TEEN-AGE
CONFIDENCE
FUND
(Copyright)

Name

School

Date..... Loan \$.....

No. of Weeks.....

Weekly Payment \$.....

If lost please return to me.

Signature

Washington

The New Implications for 1956

LAWRENCE STAFFORD

PRESIDENT EISENHOWER'S heart attack probably has this consequence—that the reins of Government are in the process of passing from known to unknown hands.

For that reason, this misfortune could turn out to be potentially the biggest development of the year affecting banking along with all business.

This is not a prediction that Mr. Eisenhower will choose not to run. However, few informed people in this capital city really expected him to run. And it is a general principle of politics that a candidate who has been stricken is almost inevitably subject to a strategic percentage loss of votes on that ground alone

—even when the issue of health is covert rather than open.

If President Eisenhower recovers somewhere near his full vigor, the transfer of power will be gradual until a new President and Congress, elected a year from now, are installed in office in January 1957.

Gradual Shift of Power . . .

On the other hand, it is entirely possible that a gradual shift of the power of decision in national matters may already be setting in.

At this writing Sherman Adams, the Assistant to the President, appears to have become *de facto* the dominant official of the Administration. The Vice-president has elected to handle ceremonial and formal du-

ties until the President returns to the job.

Currently tremendous powers reside in the office of the President. Literally thousands of decisions are made in his name, and are approved by him with but little knowledge on his part of the subject matter, for there is more to be decided than one mind can encompass. The President's staff, under Mr. Adams, has taken over such duties to a degree not known in recent history. Mr. Eisenhower has encouraged this.

Mr. Adams, however, derives his powers from the President, and not because of any constitutional position. Increasingly, as the men within the Eisenhower Administration begin to differ among themselves on courses of action, on principle, and in ambition, the absence of a President in full vigor could result in confusion, in lack of consistent direction, in lack of organized initiative on all fronts.

"Success Succeeds"

Because the Democrats of the postwar era (until March 4, 1951, in this case) were committed to mandatory pegged supports on Government bonds, often allied themselves actively with union labor against management, were relatively harsh in the taxation of business, and seemed to have a greater doctrinaire affection for spending and big deficits than the Eisenhower Administration, many commentators have presumed that the same will be true in the 1956 session of Congress and in a Democratic Administration if elected in 1956.

This overlooks the fact that in politics the thing that wins is the thing that is popular.

Circumstances will operate to favor the status quo so long as what

Vice-president Richard Nixon flew to Denver to confer with the President. Shown here at the airport are, *left to right*, the Vice-president, Assistant to the President Sherman Adams, Dr. Paul Dudley White, heart specialist attending the President, and Maj. John S. Eisenhower, the President's son



UNITED PRESS



MARRIS & EWING

Treasury Secretary George Humphrey, left, swearing in Fred C. Scribner, Jr., as general counsel of the Department. Mr. Scribner succeeds David W. Kendall, now an Assistant Secretary

is going on is succeeding. The state of Federal finances is a particularly apt illustration. Despite the greatest energies expended by such men as Joseph Dodge, when he was Budget Director, his successor, Rowland Hughes, and by Treasury Secretary Humphrey to cut civilian spending, the major cuts achieved in Federal spending were in the all-embracing defense category.

Conversely, without another war front opening, a spending-minded Administration perhaps would not find spending for the sake of spending too popular, especially if it risked a rise in the cost of living or the possibility of higher taxation. Perhaps the danger of rising expenses, inflation, cost of living, taxes, and of disturbing the blissful prosperity of recent months has been the chief factor inducing the Eisenhower Administration to cool off the "cold war."

Study T&L Accounts

Considerable interest is being shown in various places in the tax and loan accounts of the Treasury with some 11,000 commercial banks.

Members of the investigative staff of the House Appropriations Committee currently are conducting an extensive investigation, not only of these accounts, but of the whole question of compensation of banks for their variegated services to the Treasury.

The investigation was reported to be about one-half completed at this writing. The investigative staff probably will have "suggestions," it was indicated.

It has come to light that the Gen-

eral Accounting Office had this summer quietly submitted to the House a study of T&L accounts for fiscal 1954. A similar report also had been made by the GAO for fiscals 1952 and 1953. The GAO is unquestionably interested in requiring banks to pay some interest on these accounts.

Legislation Needed for Bad Debt Reserve

It is the view of the Comptroller of the Currency that the bad debt reserve formula which he proposed in his last annual report will require legislation before it can come into operation.

This was the proposal that in lieu of the current alternative formulas based on individual banks' bad debt experiences, there should be a definite, industrywide average computation for all banks. The Comptroller proposed that the amount should be equivalent to $\frac{1}{2}$ of 1% of every bank's eligible loans at the end of the year. Ineligible for use in computing the set-aside would be the loans or portions thereof which were guaranteed or insured by the Federal Government. (Not $\frac{1}{2}$ of 1% of gross earnings as was first erroneously indicated in the report.)

Such a sum would be set aside until a "suitable ceiling," as yet unspecified, was reached.

Crop Insurance Is Analogy

Albert M. Cole, Housing and Home Finance Administrator, announced that he definitely would submit a plan by January to the Budget Bureau calling for some kind of a scheme of flood insurance. The Bu-

reau clears legislative proposals with the White House before submitting them to Congress.

Flood insurance, it is reported, will embody some form of Federal-private participation, reminiscent of FHA. The Federal Crop Insurance Corp., on the other hand, is an all-Government undertaking.

Loan Demand Dropping

Incidentally, the Small Business Administration may last month have seen the passing of the peak demand for loans arising out of the August flood damage in the northeastern states, it was indicated. [This was written before the mid-October floods.—Ed.]

As of October 3, SBA had received 1,436 applications for loans totaling \$32,742,032, of which, as of the same date, 750 loans for \$10,410,958 had been approved.

SBA's business loan approvals at this writing were approaching 1,900 in number, \$100,000,000 in the aggregate, since the agency was established. Roughly two-thirds both by number and by dollar volume were participation loans; the balance were direct Government loans.

FNMA May Sell Debentures

Officials were said to be hoping that between now and the end of the year they might be able to sell a substantial issue of Federal National Mortgage Association debentures. The amount discussed ranged from \$500,000,000 to \$1-billion.

(The FNMA law has a unique feature relating to Government lending agencies. Besides requiring the new Government preferred stock to obtain a yield, which is 2%, FNMA pays a sum computed to be equivalent to what taxes FNMA would pay to the Treasury if it were a private corporation. From November 1, 1954, through June 30, 1955, FNMA paid a sum equivalent to almost its 2% on the Treasury stock, or a total return to the Treasury of just under 4% on its \$93,000,000 investment in preferred stock of FNMA.)

S&L "Holding Co." Problem

It is possible that the next session of Congress, which already has before it legislation to regulate holding companies in the commercial banking industry, may also have legislation to regulate holding companies in the savings and loan industry.

Federally chartered savings and loan associations are mutual or co-operative institutions. Hence, it was explained, it is impractical for any holding company to attempt to acquire these, or state-chartered S&L's which are also cooperative in form, in the interests of capital profit.

On the other hand, in California, Colorado, Illinois, Ohio, and possibly also in Washington State, a different form of state charter is permitted. This is the form in which, through shares called "permanent shares" or some similar designation, there is in fact common stock control and ownership.

Notwithstanding the fact that these organizations are in form private rather than cooperative or mutual, they may bear the designation "savings and loan association" in some states.

Between the states and the Home Loan Bank Board there is also a "two-way street" arrangement, providing for conversion of a federally chartered S&L to one with a state charter, and vice versa.

However, in those states which permit common stock controlled S&L's, a Federal S&L could become a holding company unit after a two-way conversion, first to a state

charter and then to a stock company. Thereafter it would be eligible for purchase under present law by any one, including a holding company interested in acquiring such stock-controlled S&L's.

This possibility was raised by Senator Prescott Bush (R., Conn.) when the commercial bank bank-holding company regulation bill was under consideration.

Problem Differs

In considering what its views about this development should be, the Home Loan Bank Board, regula-

(CONTINUED ON PAGE 118)

Investors Weather Argentine Hurricane

HERBERT BRATTER

AMERICAN investors in Latin America have long been used to the turmoil characterizing the politics of our good neighbors to the south. While democratic in form, those countries all too often fill our news columns with stories of mobs, civil conflicts, and armed seizure of power. Mexico, formerly one of the least stable countries, lately has presented a picture of orderliness and security. Oddly enough, the Argentines, whose school books, like ours, teach them that they are the chosen people of the New World, during the past decade and longer have presented a picture of gross national mismanagement.

Argentina during the past century offered rich possibilities to the surplus populations of Europe, especially those of Spain, Italy, and France. Its pampas became the breadbasket and meat purveyor of Europe. While its landowners waxed wealthy, its capital, Buenos Aires, attracted the masses who handled the growing commerce and industries. Proud of its 97% white blood, these immigrants formed a nation given to intense chauvinism. In economics this has been reflected in the desire to become as industrially self-sufficient as possible. Whereas the rich landowners profited from cheap labor and counted on imported industrial goods to pay for their grain and meat exports, they saw in the demand for industrialization a threat to themselves. Tensions grew.

The balance of payments and

foreign exchange difficulties that have swept so many countries did not spare Argentina. Trade became difficult; remittances to the outside world were put under rigid official control. The conflict between country and city, the "Latin temperament," and the lopsided economy all facilitated Peron's seizure of power 12 years ago. Peron introduced his individual brand of South American fascism and personal dictatorship. His henchmen plundered the nation while his wife, Evita, exercising uncontested power, made Argentina the butt of the rest of the world, including even the Latin Americans who had seen a lot in politics, but nothing to equal that.

Now Peron is in exile, although still claiming to be legal president and talking about coming back sometime. How long the Lonardi caretaker government, which the U. S. promptly recognized, will remain in power we do not know, nor who will succeed it, we do not know. That the political changes will not soon alter the economic facts of life is sure. Argentina continues to be rich in farm resources. It has minerals. It has oil. It has growing industries, many financed with American capital. But it is not self-sufficient. It still must trade with other countries. It still must struggle with balance of payments and exchange troubles. Despite its strong strain of anti-yankeeism

it still must "welcome" foreign investment.

More than \$400,000,000 of private American capital has been invested in Argentina over the years. National City and First of Boston have been prominent in River Plate banking for decades. Standard Oil of New Jersey has long been active there. Interwoven in the structure of Argentine industry and commerce are such names as Swift, Armour, and Wilson; GE and Standard Electric; Ford and GM; Goodyear and Firestone; Merck and Eli Lilly. Under Peron's 1953 foreign investment law, which promises definite home remittances of earnings according to a schedule, the Monsanto Chemical Co. has put \$800,000 into a plastic plant, and Merck & Co. \$200,000 into a cortisone factory. The Kaiser Corporation has put \$8,000,000 of old machinery into business in partnership with the Argentine air force. These investments seem not to be imperiled by the political changes.

STANDARD Oil of California's 40-year contract with Peron, unrattified by Peron's Congress, is now dead. Although oil imports cost Argentina \$200,000,000 annually in hard currency, opposition to foreign exploitation of the country's underground resources and particularly to the terms of the California contract mean that reopening of negotiations must be indefinitely postponed.

The Senate Bank Holding Company Bill

A Sponsor of the Bill Outlines Its Aims

SENATOR A. WILLIS ROBERTSON

Senator Robertson, Democrat, of Virginia, is a member of both the Banking and Currency and the Appropriations Committees of the Upper House. First elected to Congress in 1932, he remained in the House until his election in 1946 to fill the unexpired term of the late Senator Carter Glass.

S. 2577, the Bank Holding Company Bill, which will be on the Senate Calendar when Congress convenes in January, represents the culmination of 18 years of effort to control expansion of bank holding companies and to require such companies to divest themselves of nonbanking investments.

The Banking Act of 1933, sponsored by my predecessor in the Senate, Carter Glass of Virginia, dealt with bank holding companies only from the standpoint of their financial soundness and that of their affiliates. Their impact on banking and the nation's economy was not covered. As early as 1938, however, the deficiencies of this law were recognized by some bankers, and since that time there have been efforts to obtain some measure of Federal regulation of the expansion of bank holding companies.

The chief reason that no legislation has been passed so far has been the inability of a majority of state and Federal bank supervisory authorities, independent bankers and the bank holding companies to reach any agreement on the basic principles involved. I am convinced that those who want bank holding companies regulated have outnumbered, in recent years, those who opposed any legislation, but the opposing minority always has held the balance

of power by being able to join forces with one or another of the groups which differed as to the form regulation should take.

Those engaged in the banking business are aware, of course, that in addition to independent unit banking we have today three types of multiple-office banking. There are branch banks with a single board of directors and one capital structure operating through more than one banking office. There are chain banks in which one individual owns or controls a number of independently incorporated banks. And, finally, there are groups of independently incorporated banks owned or controlled by a single corporation, business trust, association or similar organization to which the general term "bank holding company" has been applied.

Limited Application

Some of the difficulties connected with past efforts to enact bank holding company legislation have resulted from disagreement as to whether more than one of the three forms of multiple-office banking I have mentioned should be covered. It is important to remember, therefore, that S. 2577 applies only to bank holding company groups. It does not deal with branch banking or chain banking because I, and other Senators sponsoring it, believe those fields should be dealt with separately.

The existing law, as I have indicated, is concerned primarily with the financial soundness and internal operations of bank holding companies. It has very limited application because it applies only (1) if one bank in the holding company

group is a member of the Federal Reserve System and (2) if the holding company wishes to vote the stock it owns in such a bank. Consequently, as of December 31, 1954, only 18 bank holding company groups with assets of \$10.8-billion were subject to regulation by the Federal Reserve Board.

Inadequacies of the present law of which independent bankers have complained are, principally, that: (1) only a limited number of bank holding companies are covered; (2) there is no control of future expansion; and (3) there is no limitation on the acquisition of nonbanking investments.

S. 2577 is designed to remedy these three deficiencies. As to method, it represents a compromise based on three bills considered by the Senate Banking and Currency Committee at hearings earlier this year. These were: H. R. 6227, which was passed by the House; S. 880, the companion bill to H. R. 6227; and my original bill, S. 2350. After the committee hearings, S. 2577 was worked out on the basis of testimony we had heard, and I had as joint sponsors the senior Senator from Ohio, Mr. Bricker, and the junior Senator from Utah, Mr. Bennett. This bill was reported to the Senate by the full Banking and Currency Committee with only one vote recorded against it. (In contrast, I might add that every Republican member of the House Banking and Currency Committee voted against the House bill.)

The philosophy of S. 2577 is in line with preferences expressed in testimony of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal

Reserve Board, and the American Bankers Association, and differs markedly from that of the House bill.

Our bill recognizes that bank holding companies are legitimate business organizations entitled to fair and equitable treatment, but that they should be subject to proper regulation by the Federal Reserve Board to prevent unfair competition and undue concentration of banking activities. The approach of the House bill suggests that bank holding companies are evil per se and that any further growth should be prohibited.

Of course, any business that cannot expand to meet the needs of its customers is destined to die. It is natural, therefore, that many of the bank holding companies, which want no legislation at all, would prefer S. 2577 to the House bill, because, while the Senate Banking and Currency Committee made many concessions in an effort to reach an agreement with the House bill, we could not compromise on the principle that a legitimate type of business might be regulated in the public interest but ought not to be eliminated.

The way in which S. 2577 would deal with the regulatory problem may best be indicated by a review of its main provisions, which are as follows:

Definition

One of the fundamental questions involved in framing this legislation is the definition of a bank holding company. The definition in the existing law of a "holding company affiliate" is based on ownership by a company of a majority of the shares of a *member bank* of the Federal Reserve System. I advocated that this definition be carried over in this bill to the extent that a company owning a majority of shares in any bank would be included under the regulations. My definition would have covered 116 bank holding companies having deposits of \$22.9-billion.

However, the House bill based the definition on the ownership of 25% or more of the stock of two or more banks. The Independent Bankers Association strongly urged the adoption of the House definition. In the spirit of compromise, our committee agreed to the House definition, even though it limits the maximum cov-

Senator
Robertson



UNITED PRESS

erage of the bill to 46 bank holding companies with deposits of \$14.2-billion.

Exemptions

The effect of several provisions in H.R. 6227 would be to provide specific exemption from regulation for a number of bank holding companies. The committee felt that all the companies covered by the bill which occupy the same basic position should be treated equally. Therefore, the specific exemptions made by the House were omitted from the Senate bill.

The general exemptions contained in the Senate bill are limited to cases where the committee believed regulation was unnecessary. Thus, investment companies registered under the Investment Company Act of 1940 are exempted because they are adequately supervised by the Securities and Exchange Commission. Religious and charitable organizations are exempted because the very nature of these organizations precludes the possibility of violating the spirit of this bill. Proxy soliciting companies and companies engaged in underwriting securities are exempted because such companies could acquire ownership of 25% or more of the shares of two or more banks during the ordinary course of their business and thus technically qualify as a bank holding company, even though their operations were not intended to be covered by the bill. I believe that these exemptions are justified and will insure fair and

equal treatment for all the companies involved.

Control of Expansion

Both the Senate and House bills require bank holding companies to obtain prior approval before acquiring additional bank shares or assets. One of the chief differences between the two bills on this subject is the procedure in obtaining approval. The House bill grants to the bank supervisory authorities (state authority or the Comptroller of the Currency, as the case might be) the power to veto any acquisition without a hearing and regardless of the opinion of the Federal Reserve Board. The House bill permits the Federal Reserve Board to participate in the decision only if the state authorities or the Comptroller approve the acquisition.

Some members of the committee believed that the power of decision should be placed solely in the hands of the Federal Reserve Board, with the bank supervisory authorities playing only an informal consulting role. S. 2577 represents a compromise between the two views. It affords the bank supervisory authorities an opportunity to file with the Federal Reserve Board a formal recommendation that an acquisition be disapproved. But it also provides that if such a recommendation is made, the Federal Reserve Board must provide a hearing of record after due notice at which the testimony of all interested parties may

(CONTINUED ON PAGE 120)

The World Bank is a hard-headed corporation that believes the answer to poverty and misery can be found in increased production

Bank of Last Resort

ROBERT A. KNOWLTON

The author is a well known writer on popular economic subjects.

THE International Bank for Reconstruction and Development, better known as the World Bank, fronts on H Street in the heart of Washington, D. C. Its black marble and the gold letters above the entrance reflect the sturdiest banking traditions. If Eugene Black, its Georgia-born president, wished to, he could have the legend "Subscribed Capital: Nine Billion Dollars" lettered on the window. But World Bank employees tell the story of the tourist who wandered in a couple of summers ago and asked where he could cash a check.

"You might try the soda fountain on the corner," a guard suggested. "That's where we cash ours."

The World Bank has no vaults, no cash, and no tellers. It has never handled a penny of ready cash. Its capital is in the form of paid-in or guaranteed subscriptions from 56 nations outside the Iron Curtain, and is loaned to borrowers around the world at a monthly average of \$34,000,000.

It is not necessary to be down-and-out to get a loan from this unusual bank but, as the saying goes, it helps. Two criteria are generally set. To qualify, a member nation must present an urgent productive project designed to improve its standard of living, and convince the Bank that the money could not be raised through normal banking channels. If no other bankers are dreamers enough to toss money into a paper mill in Chile, a fertilizer

plant in Iceland, or a Siamese irrigation system, the World Bank will send a team of experts to pry into such matters as need and utility, and in most cases will come up with a cheery go-ahead and a promise of financial support.

Not a Nickel in Default

This apparent open-handedness sometimes amazes conventional investment firms, who cannot make such long-term loans and regard many of the World Bank's projects as approaching the submarginal (although they have frequently "bought" these loans after the World Bank supplied the initial financing). But of the nearly two and a half billion dollars the World Bank has advanced, at an average interest rate of less than 5%, not one nickel is in default.

The Bank is neither a charitable institution nor an agency for global relief. It is a hard-headed corporation that believes the answer to poverty and misery can be found in increased production. And it is also a solvent concern whose bonds are sold on exchanges from Amsterdam to Istanbul.

The World Bank is, as one official puts it, "the only international financing agency whose day-to-day operations don't cost the American taxpayer a penny." Born at the Bretton Woods (N. H.) Monetary Conference in 1944 to finance through loans the reconstruction of war-ravaged Europe, the Bank opened its doors for business in June 1946.

It had \$700,000,000 in capital. But many European nations, in deep postwar shock, could not take advantage of this because they couldn't even afford interest on borrowed money. The Marshall Plan, by meeting the most pressing international reconstruction relief needs, provided

A grain storage plant in Nicaragua financed by a \$550,000 World Bank loan to that country in 1951. This was the first modern grain drying and storage facility in Nicaragua



the necessary transfusions and enabled the Bank to devote its later efforts to development of the world's underprivileged areas. Since 1947, when the Bank first offered its bonds in the money markets of the world, it has seen them become increasingly attractive to individual and institutional investors. Last year the Bank's net income reached \$24,700,000. Net profits go into a supplemental reserve which can be used to increase the Bank's lending power and which now stands at about \$122,000,000.

Skill Plus Common Sense

The Bank credits its 100% repayment record to the skill and common sense of the men it employs—men who may represent any of a dozen occupations, who have a glassy eye for the moocher, who are trained to sympathize with genuine needs and to try, even harder than the applicant, to figure out the most profitable use for a credit. In short, men like Gus Lund of Steele County, Minn., a canny agricultural expert who helped bring prosperity to hundreds of villages in central India.

Famine has always been endemic in that country, yet a million and a half acres of fertile loam lay fallow, providing only the meagerest of livings to those who worked it. The villain was a weed called "kans grass," which took over the best farm land and became especially pestiferous on farms whose cultivation was interrupted by the upheavals following the separation of India and Pakistan. Hand cultivation hardly touched this weedy invader, and chemical eradicators proved too expensive. Its roots plunge many feet into the earth and sprout, as weeds will, with the greatest of ease. The Indian Government appealed to the World Bank for aid.

Botany was hardly in its line, but a study by the Indian Ministry of Agriculture submitted with the request interested the Bank's officers. Kans roots, though incredibly deep and tough, die when exposed to the sun. With this morsel of hope to go on, the Bank gathered an investigative team, including Gus Lund, which packed its bags and took off for India. By jeep and bullock cart they toured the area, questioning, digging, testing. Kans roots were indeed vulnerable to sunlight, as the Ministry of Agriculture had reported; and could be blitzed—pro-



Machinery for this newsprint mill in Kaukopaa, Finland, was paid for with a World Bank loan of \$12,500,000. Two other World Bank loans have assisted the Finnish wood-products industry, economic mainstay of the country

vided a piece of ground half the size of the state of Maryland was turned over to a depth of two feet.

Officials of the World Bank are used to tackling the improbable. The great steel plows needed for the operation were available, but not in India; nor were there any heavy-duty tractors to pull them. Furthermore, Indian peasants and landholders in some cases opposed the use of mechanization, arguing that it was costly, alien, and disruptive to the traditional hand-tilling of small isolated plots. But Lund and his associates were convinced that the farmers' objections could be overcome by results, and that the Central Tractor Organization established by the Ministry of Agriculture would carry the project through if they had the equipment. The Bank came up with \$7,000,000 for 200 tractors and furnished experts to supervise the operation.

Result: A Million Acres

The plows worked across the hot, dusty plain, piling the offending roots up to die in the sun. Today, although the work still continues, a million acres of infested land are bright with grain; villages flourish; banks and other amenities have moved in. The Indians have already repaid \$5,500,000 of the original loan. However, even more satisfy-

ing from the Bank's point of view is the net return to the Indians themselves—the value of the wheat yield from the reclaimed land recently passed the \$10,000,000 mark.

Success stories like this have a way of getting around, with the result that many a country has requested World Bank aid when it was neither necessary nor desirable. The hard-boiled truth is that before they get so much as a handshake they find their budgets undergoing surgical examination. Sometimes, as an incident in El Salvador showed, the need is legitimate enough but can be filled at least partly without a Bank loan.

What this tiny republic wanted was a hydroelectric plant on the swift Lempa River; what it got was a hydroelectric plant plus a valuable lesson in investment methods. Bank investigators agreed that the project was necessary for industrial expansion. Even more important, they thought, was the creation of a local private investment market to help finance this and future enterprises. Accordingly they earmarked \$12,500,000, two-thirds of the plant's cost, for the purchase of machinery. In place of the other third they sent the Salvadoreans a bond salesman from San Francisco named Norman Tucker.

(CONTINUED ON PAGE 113)



Representatives of seven Indianapolis clearing house banks at one of their early meetings on the Community Chest drive. Left to right: President McKinney, Fidelity Trust Co.; Chairman Stout, American Fletcher National Bank & Trust Co.; President McWhirter, Peoples Bank and Trust Co.; President Frenzel, Merchants National Bank and Trust Co.; Chairman White, Indiana National Bank; President Flynn, Indiana National Bank; President Feucht, Bankers Trust Co.; Vice-president Roberson, Live Stock Exchange Bank

Seven Bank Presidents Captain Community Chest Drive

WILLIS B. CONNER, JR.

MR. CONNER is vice-president of the Merchants National Bank & Trust Company, Indianapolis, Ind.

INDIANAPOLIS banks are going "all out" this year to support the annual Community Chest drive for funds. This effort is an Indianapolis Clearing House program and is headed by its president, Otto N. Frenzel, who is also president of the Merchants National Bank and Trust Company.

The presidents of all of the clearing house banks are acting as team captains, and they have enlisted as their teammates 44 bank officers and branch managers. The Indianapolis Community Chest organization states that this is the first time in its 35-year history that such a great number of banking executives have given as much time and effort to the drive as they are giving this year.

These seven bank presidents and their 44 teammates have taken on

the 200 toughest of 1,600 firms in Marion County to solicit for the \$2,300,000 campaign. These firms will be solicited for their employee gifts as well as for the executive and corporate contributions.

The banks' endeavor was "kicked off" on September 22 in the cafeteria of the Indiana National Bank. At that time Mr. Frenzel pointed out the urgent importance of the campaign's success and congratulated the banks and their officers for their support and assistance.

On September 8, 550 business and industrial leaders of Indianapolis attended the Corporation A division

kick-off in the ballroom of the Indianapolis Athletic Club. The breakfast and program were sponsored by the seven clearing house banks of Indianapolis.

Two Indianapolis bank officers are heading two of the most important soliciting divisions in the city. Dwight W. Casey, vice-president of the Bankers Trust Company, has organized all of the neighborhood business districts. J. Hugh Funk, assistant cashier of the Indiana National Bank, is chairman of and has built an organization to solicit the entire metropolitan area of Indianapolis.



Clearing House Association President Frenzel speaking to the bank officers who are heading up the drive

Volume of Stock Market Activity Through Banks, Trust Companies

Financial Institutions of Growing Importance to the Exchange

A SPECIAL study by the New York Stock Exchange discloses for the first time the precise role played by banks and trust companies in the stock market—the types of customers served by banks, their relationships with their customers, and the extent of the investment discretion used by banks.

For many years, the study points out, it has been apparent that financial institutions—with increasingly large funds available for investment—have been growing in importance as a source of stock market activity. On the two days covered by the study, June 8 and 15, institutional volume amounted to 1,813,000 shares out of total volume of 13,581,000.

The analysis of bank activity was made on the basis of reports from 83 leading banks and trust companies which account for about 72% of total bank and trust company activity on the Exchange. These reports were projected to equal total bank activity on the two days studied. The objective of the study was to obtain information which would help to provide better facilities and to create more efficient procedures in handling transactions for institutional investors.

Far and away the most important customers of the banks were personal trust funds, which accounted for 26.4% of their share volume. Individuals—male, female, and joint accounts—ranked second, with 20.4%. Pension funds came third, with 15.8% of all bank share volume, and estates fourth, with 13%. Other institutional investors served by banks and trust companies included common trust funds, guardianships, closed-end investment companies, mutual funds, educational institutions, foundations, profit-sharing plans, personal hold-

WILLIAM D. HORGAN

*Staff Member,
New York Stock Exchange*

ing companies, and nonlife insurance companies.

Bank and trust company fiduciary transactions—i.e., those in which the bank functions as trustee—accounted for almost double their volume as agents, such as custodian, investment adviser, or some other nonfiduciary capacity. Transactions as fiduciaries accounted for 63.2% of all bank share volume, against 36.8% as agents.

As fiduciaries, banks exercised full investment discretion in transactions totaling 41.1% of their volume and partial discretion in 44.6%.

As agents, banks had no discretion in 85.7% of their share volume. Full or partial discretion was involved in 14.3%.

Discretion Varies

Combining bank transactions both as agents and fiduciaries, full investment discretion was exercised in 28% of their share volume; partial discretion in 31%; and none in 41%.

Transactions on behalf of closed-end investment companies, educational institutions, religious and miscellaneous nonprofit organizations, and personal holding companies were almost entirely on an agency basis. In the case of pension funds, profitsharing plans, mutual funds, and foundations, well over 75% of the shares bought and sold through banks and trust companies involved a fiduciary relationship.

In addition, the extent of investment discretion exercised by banks and trust companies varied greatly. In fiduciary transactions for per-

sonal trust funds, for example, banks had full discretion over only 32% of the shares bought and sold. In the case of pension funds, complete responsibility by the banks accounted for 67% of the total.

In most instances in which the bank operated as agent, the investment responsibility was very limited. Only in the case of personal holding companies was full investment discretion used in more than a very small percentage.

The location of institutional customers served by banks and trust companies, the study showed, extended far beyond the cities in which the banks are located. Only 15% of total share volume transacted through Boston banks was for customers located within the city of Boston. Only 30% of share volume channeled through Philadelphia banks was of local origin. Sixty-five percent of institutional business handled by New York City banks originated within the city.

Of all the shares bought and sold by pension funds on the Stock Exchange on the two days studied, 76% was channeled through banks and trust companies and 24% directly through member firms of the Exchange.

Profitsharing plans put 60% of their business through banks and 40% through member firms. Banks handled 30% of the volume of business by nonprofit organizations, 28% of the volume of closed-end investment companies and only 16% of mutual fund business.

Bank and trust company transactions on the average involved a smaller number of shares than transactions by other institutions. For instance, 50.2% of bank transactions involved less than 100 shares and only 1.6% 1,000 or more shares.

Gifts Effective for Estate Tax Purposes

Creation of Trusts May Prove Successful Where Outright Gifts Fail

WILLIAM J. BOWE

MOST donors would like to give away their property for tax purposes but retain the economic benefits until they die. But, to remove property from one's estate, the lifetime gift must be real and not a sham. Thus, marking bearer bonds and jewelry as the property of a son or daughter but retaining them in the donor's safety deposit box will not suffice. There must be a physical transfer of possession and enjoyment. Deeds fully executed but never delivered by the donor will fail for the same reason. This will also be true with respect to Government bonds and savings accounts registered in the names of donees but retained physically by the donor. To be effective for tax purposes the donor must surrender all possession, control, and dominion over the property given. Mortimer 17 T.C. No. 62 (1951).

Reserved Life Estates

An estate owner who transfers property, reserving to himself the income or life use, will find that he has incurred a gift tax without any estate tax benefit. If the donor retains the income from the property or the use of it for his life or for any period not ascertainable without reference to his death, the full value of the property will be included in his taxable estate. I.R.C. Sec. 2036. Too often parents think they will avoid death taxes by transferring securities or real estate to their children with the secret understanding that the children will turn over the dividends and rents to them. But such arrangements are usually easy of detection and the anticipated tax benefits wholly lost.

In an earlier BANKING article (August 1955), Mr. Bowe discussed the risks that lifetime transfers might be treated as gifts in contemplation of death and the tax consequences in such an event. It was concluded that these risks ought not deter estate owners from a program of gifts during life which would nullify potential death taxes. This article will concern itself with the type of gift that is effective for tax purposes. A later article will discuss the type of property most suited for gift purposes.

The author is Professor of Law at Vanderbilt University, Nashville.

Here, as elsewhere, one cannot have his cake and eat it, too.

Possibility of Reverters

Most estate owners, sufficiently old to have a keen interest in death tax avoidance, are willing to part irrevocably with some of their assets once they realize that neither a pretended gift nor a transfer with a reserved life estate will accomplish their objectives. Sometimes when a parent has decided to give stock or real estate to a son the unhappy thought occurs that, if the son predeceases the parent, the son's spouse may come into the ownership. The parent is tempted to provide that if his son predeceases him, the title will revert back. Prior to 1949 any possibility, no matter how remote, that the property might return to

the donor was enough to require the inclusion of its full value in his estate at his death. *Commissioner v. Spiegel*, 335 U.S. 701 (1949). Thus, a gift of property to a child for his life and upon his death to be equally divided among the surviving grandchildren was incomplete for estate tax purposes. It was possible that the child and all the grandchildren might die before the donor, and, in that remote contingency, the property would return to him by operation of law. Happily Congress has recognized that the retention of a nominal interest, frequently through inadvertence, does not represent a tax avoiding device, and the code now provides that nothing shall be included in the estate of a donor because of the retention of a possibility of reverter unless this right is worth more than 5% as of the date of his death, i.e., unless the chances of the property actually returning to him were better than 1 in 20. I.R.C. Sec. 2037. But a donor should not consciously retain such possibilities. Since he cannot know the date of his death or the order in which his successive donees may die, he cannot compute the value any reversionary interest may have as of the uncertain date of his death. To make it so remote that it cannot conceivably ever be worth 5% would require making it so remote that it would be of too little value to bother reserving.

Outright Gifts

Thus, to be effective a donor must surrender all control over the property given. He must not retain the income from it and he must nega-

(CONTINUED ON PAGE 126)

A Cape Cod Bank's Memory Room



STEP inside the attractive Wellfleet Savings Bank and see how an old Cape Cod institution ties the thread between past and present.

The cozy, white clapboard building is the financial capital of a village familiar to generations of Americans. Like many New England things, it respects Yesterday, but does not allow nostalgia to dim its awareness of Today.

Quite the opposite. Six years ago the bank, established in 1863, went to live in its present home on Wellfleet's Main Street. The exterior carries on the best traditions of the regional architecture: lawn, flowers, shrubs, a vine that reaches for the green shutters. Inside, the cageless, cheerful public space, with low counters, good lighting, and furnishings that are easy to live with, makes you exclaim, "How modern!"

Down the Years

Then, with President Cyril W. Downs as guide, you pass through a grill and go downstairs. Here's the boardroom: picture window looking on a terrace, small table, comfortable chairs, each wearing a brass plate engraved with the names and service dates of the men who have used it since the bank's beginnings.

Mr. Downs opens a door.

"Come in here," he invites.

You're startled, for there, reconstructed in a room about 25 feet square, is the Wellfleet Savings Bank as it was before the modernizers changed things so drastically back in August, '49. The old tellers'



This is the Wellfleet Savings Bank's "Memory Room," in the basement of its present home. At the left is the calendar which Treasurer Kelley keeps up to date

cages, grillwork, customer counters, ink wells, pens, deposit slips, antiquated safe—all are in place, just as they used to be.

Against the wall is a calendar, the kind with the big pad that gives each day a leaf to itself.

"That says today!" you exclaim.

Mr. Downs smiles, and tells you about Everett P. Kelley.

Mr. Kelley, the bank's treasurer, attends to its mortgage records. (He's the man you saw at a big paper-piled desk to the left of the front entrance upstairs.) But he

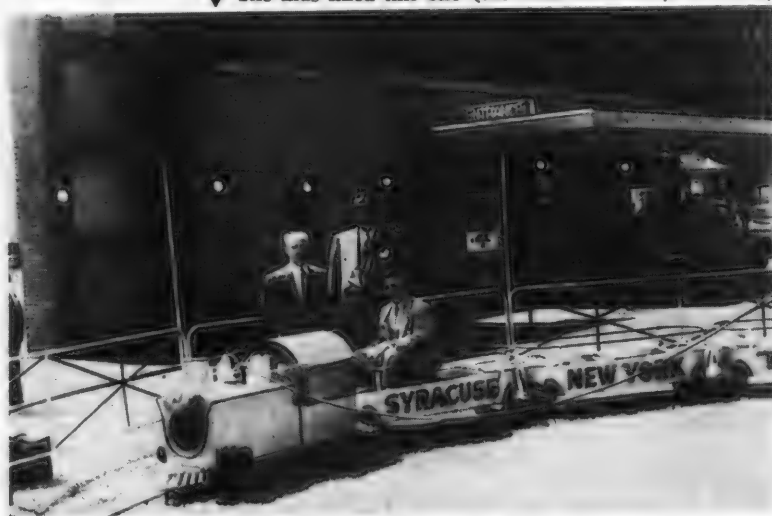
has assigned himself a most unusual job. First thing each morning he goes down to the Memory Room and tears a leaf from the calendar. Thanks to Mr. Kelley, it never reads yesterday.

Oh, yes—we forgot to mention that the Wellfleet's treasurer is 83 years old and that he has spent 45 of those years working for this bank. So he and the ancient paraphernalia are really old friends. And like a good friend, he sees to it that even in their retirement they know what day it is!



Christmas at the drive-in ▲

▼ The kids liked this one (the rides were free, of course)



Folks came to ▼ see the cows



How to Promote a Drive-in

WHEN the Merchants National Bank and Trust Company of Syracuse, N. Y., opened a new drive-in it figured it would need 10,000 salesmen to complete the public relations job started by radio, TV, and newspaper advertising.

"Of course it was financially impossible to hire this number of salesmen," says Raymond W. Blair of the PR department, "so our task was to hire salesmen, diplomatically, to sell our wares without pay."

Public holidays, the bank decided, could be made very attractive to the customers at a nominal cost, and in a way that would make people tell others about the bank's observance of these occasions. Here are some of the things it did, as reported by Mr. Blair:

"At the drive-in office prior to Christmas time, Santa Claus was there to talk to children. This program has been very successful with parents, for it is not commercial. 'Trick or treat' is a part of Halloween, so the drive-in staff prepares bags of candy and other items which are given to the kids.

"On St. Patrick's Day all tellers wear green carnations and ties, and sometimes boutonnières made of crisp dollar bills. All ink wells are filled with green ink, and free bottles of a green soft drink are given to customers. These observances cause comment; many people tell their friends what the drive-in is doing for them.

"The office is built on a triangular lot which comes to a point at the junction of two important downtown streets. The apex has been landscaped and a lawn planted. This treatment was unusual, but not enough so to start conversation. So we applied some stimulants.

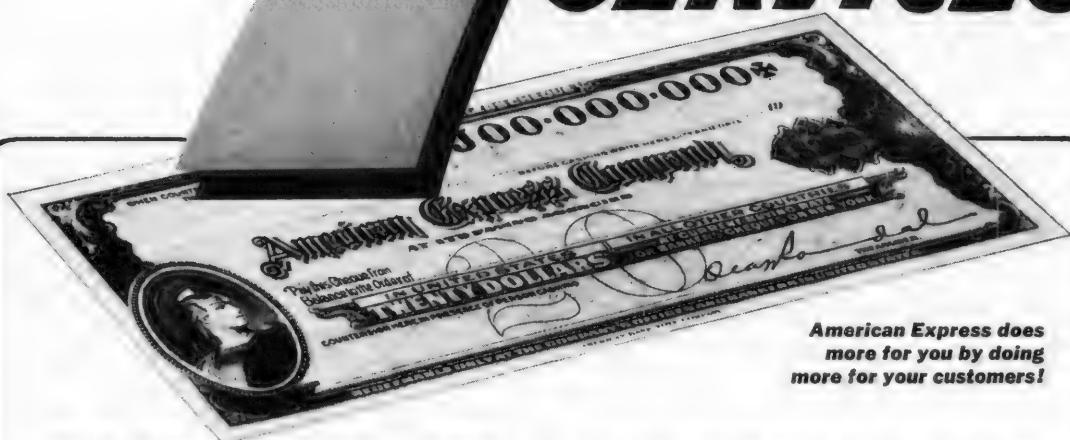
(CONTINUED ON PAGE 150)

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No Change in Credit Restriction . . . Market Disregards Money Conditions . . . A Thin Market with Little Change in Sight . . . Treasury's New Money, with More Later . . . Bill Costs Stiffen . . . Fed Portfolio Doesn't Change . . . Free Reserves More Negative

MURRAY OLYPHANT

THE credit demand has continued high and the supply restricted. It still remains true that additional reserves needed by commercial banks to meet a continuing demand for loans and to do their share in taking up new U. S. Treasury financing of about \$4-billion can come only from either borrowing more money from the discount window at the Federal Reserve banks or by help from the Open Market Committee.

So far there is no indication of any letdown in business volume. Real estate loans continue to increase; consumer loans do likewise. Business loans go right on up and are due to increase the rate of rise.

All September money was tight. It cost the Treasury over 2% to roll over its weekly offerings of Treasury bills. The new money needed was borrowed at $2\frac{1}{4}\%$ with a maturity next June. Already there is a growing feeling that before the year is out the rediscount rate will be raised to $2\frac{1}{2}\%$, unless the uncertainty caused by the President's illness makes business hesitate.

In short, the conditions prevailing in August were maintained and even intensified in September. Yet the market for Government bonds refused to decline and actually showed considerable improvement. Why?

Market Disregards Money Conditions

There seem to have been two different occurrences, both having their effect on market sentiment but neither based on actual current money conditions. First, considerable publicity was given to the statement of a well known economist who hazarded the opinion that the busi-

ness boom was coming to a close either late this year or early next year. Second, the illness of the President with its political implications was a definite shock to those who were counting on a continuance of the policies of the present administration. These two factors strengthened the opinion of those who—as we commented last month—felt that the low prices registered early last August for Government bonds would probably not be reached again, that the business boom must taper off before very long, and that the money squeeze might very well ease off before the year end.

Marketwise these views prevailed in spite of the fact that the business figures reported to date showed no signs whatever of any letdown. Nor was there any indication that the monetary authorities had altered the restrictive policies intended to head off inflationary developments. As the Under Secretary of the Treasury said in a speech before the American Bankers Association, "We must see that prosperity does not blind us and turn our heads, does not lead us to overcommitments, or to excesses which will tip us over into a recession. At such a time your Government has these responsibilities: to balance the budget, so a deficit does not contribute to inflation; to keep a rein on Government credit; to exercise wisely its legal powers over private credit."

A Thin Market

Another factor in the price rise, which ran to between $\frac{3}{4}$ and 1 point for the longer bonds, was the extreme thinness of the market on both the buying and selling sides. Dealers were said to be playing very

close to their chests. Occasional buying orders drifted in from the usual investment fund sources. No blocks of bonds were readily available. To fill the orders, bids had to be raised and someone persuaded to sell. Raise the bid on one issue and the other issues were marked up also. The longest 3% bonds 2/15/95 got back to and slightly above 100.

Furthermore, it is still true that for the most part any sale of the longer bonds means a loss to the present holder. Most of them are not selling. The long bonds have had few takers. Prices have risen on a relatively small amount of buying. It is hard to see how they can rise much farther, and they might slip down.

Little Market Change in Sight

The probabilities now seem to be that the monetary authorities will wait and see just how the money and credit situation develops before taking any further steps.

Treasury Gets New Money; More Later

To meet its cash needs for the balance of 1955, the Treasury sold \$2,750,000,000 of tax anticipation certificates. The rate was $2\frac{1}{4}\%$, although $2\frac{1}{8}\%$ had been anticipated by some. Subscriptions were received for over \$8.5-billion.

The TA's mature on June 22, 1956, but—as usual—can be used on June 15 in payment of taxes at 100 and interest to maturity, thus giving a week's interest bonus to taxpayers. The banks could pay for allotted subscriptions by credit to the Treasury tax and loan accounts.

It was expected that the banks might take between \$1-billion and \$1.5-billion of the total \$2.75-billion. They would need between \$200,000,000 and \$250,000,000 more reserves to cover their increased deposit liability. Some of the needed reserves would probably come from additional borrowing from the Federal Reserve, some probably as the result of Open Market Committee purchases from the market.

If the issue runs true to form, corporations will buy more of the TA's from week to week and get the banks off the hook.

Later on in the year the Treasury expects to need another \$1-billion, probably with a TA certificate due next March.

"Other Than Banks" Absorb Governments

Now that the Treasury has completed its program for increasing the outstanding amount of Treasury bills from \$19.5-billion to \$20.8-bil-

lion, it is of interest to note that it is still nonbank sources—chiefly corporations—which have made the increase possible. Commercial banks now hold no more bills than when the increase started and only about half as many as they did last January.

Actually commercial banks have sold over \$5.6-billion in Government securities since the first of the year. The Federal Reserve portfolio is about \$1.2-billion lower than when the year began. The total supply of Government securities has risen about \$1.2-billion in the same period. This means that other than bank buyers must have taken about \$8-billion of Government issues since last January.

Treasury Bill Costs Stiffen

Between the end of August and the first week in October only one of the weekly issues of Treasury bills sold to yield below 2%. The

first issue in October went at an average cost to the Treasury of 2.21%, which is pretty close to the rediscount rate.

Now all the weekly issues are up to \$1.6-billion. They will continue to be rolled over at that figure.

Federal Portfolio Shows Little Change

Between August 31 and September 28 the portfolio of the Federal Reserve banks remained static. It was down but only \$58,000,000 for the period. Thereafter with the necessity of helping along the placement of the new TA certificates some minor purchases were made and repurchase agreements with dealers increased. Not much, but enough to show that the situation would be cared for.

Average borrowings by the member banks for the period were about \$800,000,000. Average excess reserves reported were between \$400,000,000 and \$500,000,000.

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

THE biggest event in the investment markets was the break in the stock market following the announcement of President Eisenhower's heart attack. It was the most pronounced down-turn in volume and dollars since the 1929 decline. Markets all over the free world followed a similar pattern.

There was no follow-through, however, on this pessimistic note. Recovery came quickly, although jitters did not subside for some time. There were up-and-down markets in succession, reflecting the uncertainty of the future which had been created. It showed the emotional character of the investment markets in all segments.

Rationally, it did not make too much sense. The inherent soundness of the economy was unimpaired by the President's illness. The possible change from Republican to Democratic control in the Executive branch of the Government would be no major calamity either. Indeed, judged by the record of 20 years of previous Democratic rule, the potentiality would be inflationary rather than deflationary.

One of the prime elements causing the break was a not too clearly distinguishable apprehension of what might happen, which was supported by those who had felt for a long time that stock prices were too high. The rise in interest rates and in the yields of bonds in which the equity markets did not fully participate was an additional factor. Only 16 stocks, out of 964 listed dividend-paying common stocks, indicated an investment return of 8% or more on September 1. About 300 equalled or bettered the return on Treasury Savings Bonds.

At the end of 1950, for example, more than 30% of the dividend-paying issues showed a record of better

than 8%, and as late as the end of 1953 those promising a return of 8% or more accounted for 28% of all dividend payers. The 964 payers were 89% of all common stocks listed on the New York Stock Exchange on September 1 which are bought and sold throughout the Main Streets of the country.

Tighter credit restrictions of the Federal Reserve System with tacit approval of the Treasury, higher yields and lower bond prices were contributing factors in the course of the equity markets, which are sensitive to developments affecting tax-exempts and corporate obligations as well as to Treasury bonds.

THE relative stability in the stock market these days may be attributed, in a considerable degree, to the great institutional influence which is increasing steadily. On certain test dates, personal trust funds, including bank administered common trust funds, estates, and guardianships, alone have amounted to 28% of institutional volume and the latter as a whole has been running between 15% and 25% of total trading volume. Administrators of institutional funds are apt to buy when the market goes down. This often provides a brake for the emotional selling of individuals who want to dispose of their holdings at all cost.

The underwriting markets are doing well. There is a large potential supply of tax-exempts in prospect and corporate obligations are doing well, marketwise.

The determining factor in the well-being of the underwriting markets will be Federal monetary policy which, in turn, depends on the public reaction and business and financial appraisal of President Eisenhower's health. gyrations are possible, but the inherent soundness and natural growth of the economy remains.

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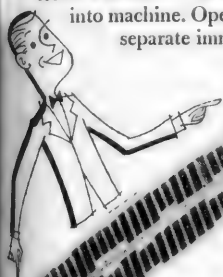
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Here Comes CHRISTMAS!



The main lobby of the Central National Bank of Cleveland became Carnival Land for the bank's annual Christmas Party for staff family youngsters on the Saturday afternoon preceding the holiday. Entertainment, music, a merry-go-round, and a Santa Claus who distributed gifts kept more than 300 kids busy

It doesn't seem possible, of course—but Christmas is just around that corner!

Perhaps your bank's plans for observing it are in the blueprint stage, under way, or completed. Maybe you'll repeat last year's idea, with variations.

Or perhaps, when you saw this little story, you exclaimed: "My goodness! What'll we do *this* year?"

As you know, banks do many things to mark the great festival and the turn of the calendar that follows it. There are parties for children, gifts to the needy, observances for the bank family, music for everybody—all in a setting of more or less elaborate decorations.

Yes, there are as many Christmas festivities as there are banks. Early each year BANKING gets a bundle of letters telling us what this and that one did to celebrate the Holidays.



The Farmers Bank of the State of Delaware says this Nativity scene was originated by Edward Hitlen, "one of our Dover folks." It was set in the lobby for the 1954 Christmas season, and brought "many, many compliments"



Christmas cards mailed to the Foreign Department of The Northern Trust Company, Chicago, from other lands were used for this holiday display at the bank. In a window the bank hung an enlargement of its own greeting





The staff at the North Nashville branch of First American National Bank of Nashville, Tenn., contributed more than 500 cans of food to the Salvation Army for Christmas distribution

★
Toys donated by the staff of Union Dime Savings Bank, New York, for Herald Tribune Fresh Air Fund youngsters were shown in the bank's lobby



However, a *post*-Christmas story seems anticlimactic, so we've made it a practice to save these reports for our annual *pre*-Christmas article—like this one.

On these two pages you'll find a small cross section of how American banks marked Christmas 1954. The methods, we'd guess, are typical of what will be done in 1955.

In hundreds of banks across the country the season will be celebrated with Christmas concerts. Staff choral groups and other trained singers will provide inspiring programs; and in many instances there'll be opportunities for the visiting public to join this traditional celebration of the Yuletide.

Perhaps, if you're looking for an idea, one will pop up as you scan the pictures and their captions. We hope so.

★
The First National Bank and Trust Company of Tulsa, Okla., used the five-story screen sign on its autoramp and autobank to send a king-size holiday greeting. The two-story candle burned for nearly three weeks



At the Trademans Land Title Bank, Philadelphia, a staff double quartet in costumes of the Dickens period sang carols in the lobby



Garfield First National Bank put this display on the lawn of its East Paterson, N. J., office. The figures of the choir singers were almost lifesize. The organ was real but it didn't play. Music and singing were provided by amplified records. The display, floodlighted at night, attracted crowds





The First National Bank and Trust Company of Kalamazoo, Mich., paid a premium price for this 22-month old Hereford which is being enticed into the bank's lobby. After displaying the Kalamazoo County Fair grand champion for two days in the main lobby and for one day in its Vicksburg branch, the bank gave the meat from the butchered animal to a local home for boys from broken and neglected homes. *Left to right*, Allen B. Sikes, Jr., assistant vice-president; Ronald Dillingham, vice-president and agriculturist; David Rhoda, the boy who raised the steer; and Albert Rhoda, his brother

News for Country Bankers

Reduce, Not Increase Farm Pricing and Production Tampering, Says C. B. Shuman

THE way to improve farm income is to reduce, not increase, Government interference in the pricing and production of farm products. This is the opinion of Charles B. Shuman, president of the American Farm Bureau Federation, Chicago, who spoke at the Agricultural Breakfast of the American Bankers Association in The Conrad Hilton in Chicago. The breakfast was a feature of the 81st annual convention of the A.B.A.

"Political pricing" actions by Congress have been a large factor in the 24% decline in farm prices which has taken place during the last five years, Mr. Shuman said.

"Farmers are squeezed between falling farm prices and rising costs of machinery, fertilizer, and other supplies.

"Again the Government must accept some responsibility for this situation, as the recent increase in the minimum wage from 75 cents to \$1 per hour was one of the things

that led to the recent round of industrial wage increases.

"We in agriculture favor increases in wages based on increased productivity of labor. On the other hand, farmers resent the monopolistic pricing tactics used by certain labor groups and encouraged by the Government."

The future of agriculture is still bright, Mr. Shuman said, "if we reduce the role of the Government in agriculture and produce for the rapidly expanding consumer market rather than for Government storage bins. We have lost much of our market both at home and abroad as a result of unwise fixing of prices at 90% of parity.

"The total agricultural plant is overexpanded," he said. "Any Government program which encourages further expansion is not in the long-time best interests of farmers.

This department is edited by MARY B. LEACH of BANKING's staff.

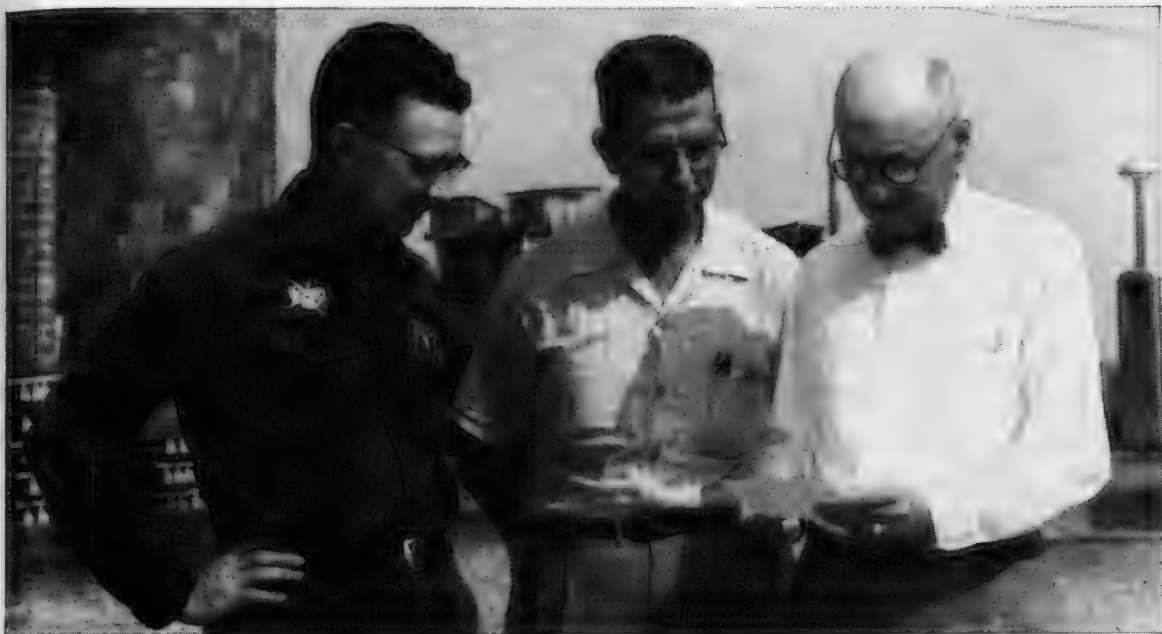
"High, rigid price supports, subsidy or income payments, and special Government purchase programs all delay needed adjustments and in the long run will further reduce farm income."

Mr. Shuman called for emphasis on expanding domestic consumption and increasing "mutually advantageous" foreign trade. "This," he said, "could soon eliminate the huge surplus accumulation that is forcing farm prices downward.

"The efficient farmers are still making some money. They are still a good risk. Bankers generally can well afford to help finance improvements in agricultural efficiency," he declared.

"Production per man hour on U.S. farms has gone up 78% in the last 15 years. This has been due to larger units, better technology, more mechanization, greater use of fertilizers and insecticides—all of which require working capital.

(CONTINUED ON PAGE 70)



Teamwork is paying off in Orleans, Indiana, for Mr. Leon Johnson, broiler grower; Mr. H. E. Sleight, Purina Dealer; and Mr. Harold Tegarden, President, Bank of Orleans.

"Financing a key to my poultry success"

That's how Broiler Grower Johnson feels about the banker and dealer who stand behind him. He says: "Bank financing is an important tool in my poultry operation. It's just as important as housing, brooding equipment or birds. It has aided me in building a bigger business and expanding into allied businesses. Financing has aided me in securing new equipment for my broiler operation. I feel I'm working as a team with my banker and my Purina Dealer in my broiler operation!"

★ ★ ★



"I don't know what I'd do without the help of my local banker in financing several of my feeders," says Mr. Sleight, Purina Dealer. "Bank financing has helped my business grow. If a customer wants credit, we always send him to see Mr. Tegarden

at the Bank of Orleans. This is good business for me, for the banker, and the farmer as well."

★ ★ ★

... For additional information, visit with our Purina Salesman serving your area, or write: Ralston Purina Company, 1605 Checkerboard Square, St. Louis 2, Missouri.



Purina Dealer Sleight and Banker Tegarden

"WE FIND FEEDER FINANCING SAFE AND EASY TO PROCESS"

"The bulk of Purina feeder business we have handled to date has been safe and easy to process," says Banker Tegarden. "We feel this financing helps bring prosperity to the dealer, to the feeder, and, therefore, to our community."

"The close feeding supervision and management aids of farm accounts by our local Purina Dealer is an important factor in determining the amount of credit we extend."

Partners in Prosperity



(CONTINUED FROM PAGE 68)

"To be efficient today, a farmer has to have a business large enough to justify the capital investment required by modern farming methods. This does not mean we are moving away from the family farm. It simply means that the family farm is growing with the economy of this country."

Touching on farmers' credit needs, Mr. Shuman said, "A big problem is the need for more intermediate credit—loans for a year and a half to five years. These are the loans that finance machinery purchases, farm improvements, and certain soil-building practices which will pay out in time but not immediately."

The national farm leader pointed out that farmers have a vital interest in a stable general price level. "We don't want inflation," he said. "In the present surplus situation, we know that if we had inflation, farm prices would not respond as fast as production costs. But farmers are also fearful that overzealous efforts

to prevent inflation might touch off a serious recession. With our surpluses, we'd be much worse off if our economy were not operating at full steam.

"When business is bad, there is always a tendency for population to back up on the farm. This concerns us, because an essential part of the solution to the problem of low income in agriculture is opportunity for employment off the farm."

Beef Cattle Round-Up

ABOUT 500 farmers attended the Beef Cattle Round-Up sponsored on a recent Friday evening by the Security Bank of Madison, Madison, S. D., according to President W. M. Willy.

The program got under way at 8 P. M., and included music by local radio entertainers; a talk on "More Profit on the Cow Herd" by the manager of a local Hereford ranch; and a talk on "New Feeding Methods" by an authority from the Ani-

mal Husbandry Department of the South Dakota State College.

The Lake County 4-H Club was in charge of a Baby Beef Feed at the conclusion of the program.

Farm Loan Department Study

A STUDY designed to provide information which would be useful to banks considering an addition or extension of a farm lending department was recently completed by the Department of Agricultural Economics, New York State College of Agriculture, Cornell University, Ithaca.

The conclusions drawn from this study include these statements which doubtless apply to banking in other sections:

"Present farm lending departments apparently are not as efficient as bankers believe they could be. Bankers' average estimate of the volume of farm business one man could properly handle was \$642,000.

(CONTINUED ON PAGE 140)

Agricultural Leaders at the A.B.A.'s Agricultural Breakfast

The "Standing Room Only" sign had to be hung up at the A.B.A. Agricultural Breakfast in Chicago during the Association's national convention, as many more bankers sought tickets than had made advance reservations. Some 360 bankers heard Charles B. Shuman, president of the American Farm Bureau Federation, address the breakfast meeting. At the head table, *left to right*, B. L. Gill, Jr., president, American National Bank, Terrell, Texas; W. C. Knox, cashier, First National Bank, Fairmont, W. Va.; N. A. Jamba, vice-president, National Bank and Trust Company, Norwich, N.Y.; F. E. Lull, president, Smith County (Kans.) State Bank; R. N. Downie, president, Fidelity State Bank, Garden City, Kans.; Mr. Shuman; Jesse W. Tapp, chairman of the board, Bank of America N.T.&S.A., Los Angeles, and chairman, A.B.A. Agricultural Commission; Sherman Drawdy, president, Georgia Railroad Bank & Trust Company, Augusta, and retiring treasurer, American Bankers Association; G. H. Stebbins, president, Simsbury (Conn.) Bank and Trust Company; H. W. Schaller, president, Citizens First National Bank, Storm Lake, Ia.; D. E. Brown, president, Carolina National Bank, Anderson, S. C.; J. H. Crocker, president, Citizens National Bank, Decatur, Ill.; J. Ed. Parker, Jr., vice-president First National Bank & Trust Company, Lexington, Ky.; R. B. Stratton, assistant cashier, Security Trust & Savings Bank, Billings, Mont.; and R. L. Adams, president, Bank of York, Ala.





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National Agricultural Credit Conference

Country Bankers to Hear Farm Experts

LEADERS in the nation's agriculture from government, education, finance, and business will head the program of speakers at the Fourth National Agricultural Credit Conference of the American Bankers Association in Chicago December 1-3. The program for the conference, which will be held in the Morrison Hotel, was announced by Jesse W. Tapp, chairman of the A.B.A.'s Agricultural Commission, and chairman of the board, Bank of America N.T. & S.A., Los Angeles.

The conference will be attended by bankers from farm areas throughout the nation. During the three days, they will have an opportunity to hear discussions of the current problems and prospects for agriculture and, against this background, to exchange ideas among themselves on farm lending policies, service to farm customers, and the like.

Many Nonbanker Speakers

Since the purpose of the conference is to aid bankers in formulating their agricultural lending policies in the light of the economic and business outlook in agriculture, many of the speakers are nonbankers directly connected with the farm field and representing different points of view on farm problems. Included will be Charles N. Shepardson, member of the Board of Governors of the Federal Reserve System; True D. Morse, Under Secretary of Agriculture; Dr. Kenneth Hood, assistant secretary of the American Farm Bureau Federation; Dr. Albert E. Burke, director of graduate studies, Yale University Conservation Program; Dr. O. B. Jesness, head, Department of Agricultural Economics, University of Minnesota; O. V. Wells, administrator, Agricultural Marketing Service of the U. S. Department of Agriculture; Tillman Bubenzer, president, American Society of Farm Managers and Rural Appraisers; Rex Beresford, professor of livestock marketing, Iowa State College of Agriculture; Rex R. Bailey, president, Doane Agricultural Service; C. B. Bender, director of research in grassland farming, Sperry Rand Corporation; and Charles J. Hearst of Cedar Falls, Iowa, who is one of the group of farmers just returned from a tour of the Soviet Union.



True D. Morse



C. N. Shepardson



Jesse W. Tapp



O. V. Wells

A group of outstanding bankers will also address the meeting, headed by Erle Cocke, vice-president of the American Bankers Association, and vice-chairman of the board, Fulton National Bank, Atlanta.

The sessions on Friday, December 2, will emphasize the exchange of ideas among the bankers. Friday morning will feature two panel discussions held concurrently—one on livestock and one on dairying. Each banker attending can choose the panel of greatest interest to him. Friday afternoon will be highlighted by informal "bull sessions"—small discussion groups not to exceed 100 participants, each under the direction of two leaders, at which the bankers will talk over the role of agricultural representatives in banks.

The program follows:

First Session

Thursday, December 1, 1955, 10 A.M.
Grand Ballroom

Presiding, Harry W. Schaller,

president, Citizens First National Bank, Storm Lake, Iowa. Also introductory remarks by Mr. Schaller.

"Banking and Agriculture" by Chairman Tapp.

"Current Banking Developments" by Vice-president Cocke.

"The Changing Credit Picture in Agriculture" by FRB Member Shepardson.

Second Session

Grand Ballroom, 2 P.M.

Presiding, John H. Crocker, president, Citizens National Bank, Decatur, Ill.

"Public Relations Programs for Country Banks" by J. Carlisle Rogers, president, First National Bank, Leesburg, Fla.

"What's New in Agriculture?" by Tillman Bubenzer, president, American Society of Farm Managers and Rural Appraisers; manager, Conner Prairie Farms, Noblesville, Ind.

"Farm Management"—Panel moderated by Douglas B. Graves, assistant secretary, The Northern Trust Company, Chicago.

Panel Members: L. W. Cartwright, assistant cashier and farm manager, Central National Bank and Trust Company, Des Moines; I. Frank Green, farm manager, Commercial National Bank, Peoria, Ill.; and J. Ed. Parker, Jr., vice-president, First National Bank and Trust Company, Lexington, Ky.

Third Session

Friday, December 2, 1955, 9 A.M.
Grand Ballroom

(CONTINUED ON PAGE 139)



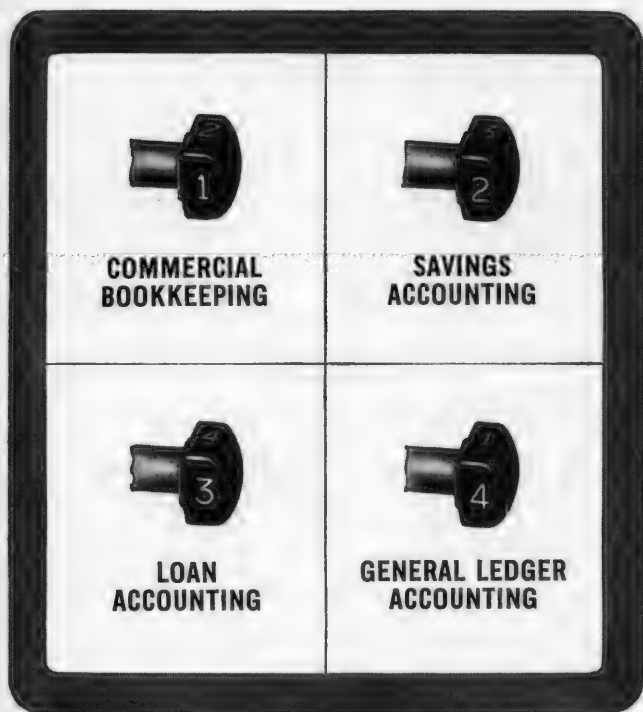
Erle Cocke



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Rise in Farm Mortgage Debt Continues

Farm mortgage recordings of all lenders in the first quarter of 1955 showed increases from a year earlier of 5% in the number of mortgages, 24% in the amount borrowed, and 17% in average size

This report on the trends in the farm mortgage debt picture was prepared by the Production Economics Research Branch of the Agricultural Research Service, U. S. Department of Agriculture.

FARM mortgage debt is continuing to rise in 1955. At the end of the year it may total about \$9-billion. The total on January 1, 1955, is estimated at \$8,176,000,000, an increase of 7% in 1954.

Total non-real-estate debt (excluding CCC loans) of farmers on January 1, 1955, was an estimated \$7,302,000,000. About 53% of all farm debt (excluding CCC loans) is now farm mortgage debt, and the current trend is for it to form a larger share of the total. In 1940 farm mortgage debt was 69% of total farm debt.

Revised appraisal policies improved the competitive position of the land banks and sharply increased Federal land-bank loans in the first half of 1955. The land banks held \$1,393,000,000 in farm mortgage debt on July 1, 1955. This total includes mortgages and sales contracts formerly held by the Federal Farm Mortgage Corporation. It is 9% higher than the combined amount held January 1, 1955, and 12% above the total on July 1, 1954.

The average size of land-bank loans closed in the first quarter of 1955 was \$7,700—26% larger than a year earlier.

Mortgages Held by Insurance Cos.

Farm mortgages held on June 30, 1955, by 49 life insurance companies reporting to the Life Insurance Association of America totaled 7% more than at the beginning of the year and 11% above June 30, 1954. Farm mortgages recorded by life insurance companies in the first quarter of 1955 averaged about \$14,500, 7% higher than a year earlier.

Farm mortgage loans of commercial banks are also rising. Federal Reserve member banks held \$681,000,000 on June 30, 1955—an increase of 9% from the beginning of the year and 12% from June 30, 1954.

Farm mortgage recordings of all lenders in the first quarter of 1955 showed increases from a year earlier of 5% in the number of mortgages, 24% in the amount borrowed, and 17% in average size. The average size of mortgage recorded in the first quarter this year was \$6,800, as compared with \$5,800 in the first quarter last year.

Factors Associated with Rise

Several factors are associated with the continuing rise in farm

mortgage debt. Farm real estate values per acre in the year ending in March 1955 increased about 2%. The volume of voluntary farm real estate transfers increased by 7%. The proportion of transfers that involved credit financing was also higher. A substantial volume of farm mortgage borrowing continues to be for such purposes as refinancing debts, improving farm real estate, and buying farm machinery. Principal repayments continue to be satisfactory.

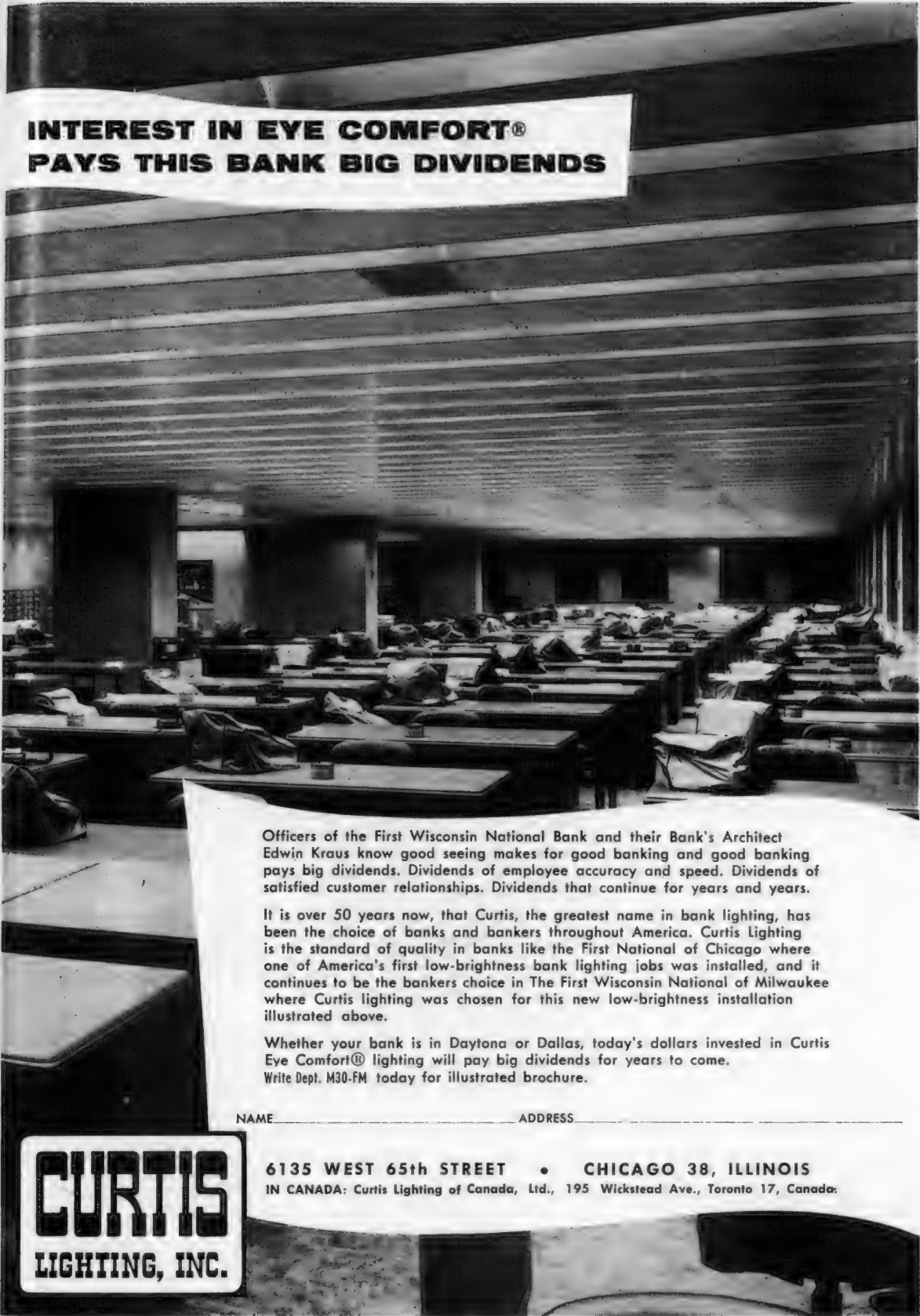
Very few delinquent loans are reported by major lenders.

During 1954 all active lenders in the farm mortgage field increased their holdings. The increases averaged 8% for the Federal land banks and for life insurance companies, 7% for commercial and savings banks, 6% for individuals and others, and 1% for the Farmers Home Administration.

Increases in farm mortgage debt during 1954 were noted in all states and regions. The Mountain States had the highest average rate of increases—10%—and average increases of 8% or more were estimated for the Middle Atlantic, South Atlantic, East South Central, and West South Central States. The smallest percentage rises were in New England and the North Central States.

Farm Mortgage Debt: Total Outstanding and Amounts Held By Principal Lender Groups, by States, January 1, 1954

State and Division	Total	Federal Land Banks	Federal Farm Mortgage Corporation	Farmers Home Administration	Life Insurance Companies	Others	All Operating Banks
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
New England.....	\$ 177,103	\$ 24,249	\$ 673	\$ 3,669	\$ 3,941	\$ 144,571	\$ 47,392
Middle Atlantic.....	484,358	55,034	1,108	9,120	35,797	383,299	113,821
East North Central.....	1,435,256	200,862	2,558	23,126	289,503	919,207	288,934
West North Central.....	1,671,205	344,753	4,808	46,503	620,120	655,021	194,723
South Atlantic.....	711,758	87,310	1,950	48,905	101,627	471,966	148,937
East South Central.....	522,813	77,916	750	47,110	107,942	289,095	121,436
West South Central.....	968,363	179,412	2,329	52,642	379,011	354,969	73,183
Mountain.....	657,608	94,718	1,429	24,550	198,363	338,548	26,321
Pacific.....	1,027,722	105,164	2,023	12,435	156,339	751,761	116,467
United States.....	\$7,656,186	\$1,169,418	\$ 17,628	\$ 268,060	\$1,892,643	\$4,308,437	\$1,131,214
January 1955							
United States.....	\$8,175,724	\$1,266,953	\$ 12,834	\$ 271,220	\$2,051,445	\$3,362,596	\$1,210,676



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BANK LAW NEWS

Joint Accounts

JOINT ACCOUNT WITH RIGHT OF SURVIVORSHIP

State courts differ over question whether survivor actually has right of survivorship.

THE A.B.A.-recommended Deposit in Two Names Act merely relieves a bank from any liability for paying the balance in a joint account with right of survivorship to the survivor upon the death of the other joint depositor. It does not provide that the survivor becomes the owner of the account. Recently, courts in Oklahoma, Illinois, and Indiana came to differing conclusions when faced with the problem of deciding whether or not the survivor does own the account.

Oklahoma's Supreme Court held that, where there was expressed in writing a clear and unequivocal intent on the part of a depositor to make another a joint owner of her bank account with right of survivorship, the survivor took title by virtue of an Oklahoma statute authorizing the creation of joint tenancies in personal property, and the right of survivorship given to joint tenants under the common law. *Barton v. Hooker*, 283 P.2d 514.

The Appellate Court of Indiana reached the same end by a different route. It held that the signature card establishing such an account constitutes a contract between the depositors and their bank which, in the absence of fraud, undue influence, duress, or mistake, cannot be varied by parol evidence. The free will intent of the parties to create a joint account with right of survivorship, expressed in clear and unequivocal language in a written instrument, will be given full effect, said the court. *Estate of Harvey v. Huffer*, 126 N.E.2d 784.

Illinois' Supreme Court, however, took a different stand. It held that evidence could be introduced to show that despite the terms of the contract establishing the account, the money in the account actually was the property of one of the parties, and that he never intended that the other party should receive it. Two judges dissented, protesting that Illinois had previously adhered to the "contract theory" of joint accounts with right of survivorship, such as was relied upon by the Indiana court, and had consistently refused to approve the admission of parol evidence to show an intent

contrary to that clearly expressed in an agreement creating such an account, in the absence of mental incapacity, fraud, etc. In *re Schneider's Estate*, 127 N.E.2d 445.

The Oklahoma decision also contains a useful collection of citations to decisions of the appellate courts of the various states on the question of ownership of U. S. Savings Bonds registered in the names of two persons as co-owners. The dissenting opinion in the Illinois case contains a discussion of the theories under which courts have decided questions of joint-account ownership.

JOHN RENÉ VINCENS



Leading a discussion of the new Uniform Motor Vehicle Certificate of Title and Anti-Theft Act at the meeting of the Committee on State Legislation and State Legislative Council in Chicago, September 25, are left to right: Thomas B. Paton, A.B.A. assistant general counsel and secretary of the Committee on State Legislation; Alfred A. Buerger, partner in the law firm of Penney, Penney and Buerger, Buffalo, N. Y., Commissioner on Uniform State Laws for the State of New York, and one of the draftsmen of the Act; Sherman Hazeltine, president, Bank of Arizona, Prescott, Ariz., and chairman of the Committee on State Legislation; George F. Taylor, partner in the law firm of Taylor, Hurtt and Weisel, Pittsburgh, Pa., and chairman of the A.B.A. Uniform Commercial Code Committee; J. R. Vincens, assistant secretary of the Committee on State Legislation; and William J. Davis, secretary and manager, National Auto Theft Bureau, Chicago, Ill. (See story on page 93)

1956
POCKETAX

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- Head of Household Rules
- Individual's Deduction
- Full 1949 Simplified
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President Livingston (right) turns over the Association's highest office to his successor, Fred F. Florence

The Convention Said

Business Is Fine, But . . .

BUSINESS is very good, thank you, said the Chicago convention of the American Bankers Association. In fact, it's so good that such phrases as "avoid excesses," "time for vigilance," "prosperity mustn't turn our heads," kept bobbing up during the four September days.

One speaker, with a nod at the Bard of Avon, suggested it's important that "the quality of credit be not strained." Another, observing that bankers mustn't preach calamity, diagnosed this as a time of "conservative optimism."

But whatever the shades of opinion on the outlook—and they were tinged with caution—this standing-room-only annual meeting of the nation's bankers was one of the

JOHN L. COOLEY

most memorable in their Association's long history. "The A.B.A. meeting," traditionally a sounding board for business and financial sentiment, always makes headlines. This one did, too!

"Get Well, Mr. President"

President Eisenhower's sudden illness stunned the 9,701 registrants and there was, inevitably, conjecture as to its effects, economic and political. But for the moment the convention was most deeply concerned with the President's immediate condition.

In a resolution sent to him at Denver, the A.B.A. members expressed

their faith in him and added: "We entertain the hope, coupled with our prayers, that he may soon be restored to his usual good health."

What a Convention!

Yes, it was a mammoth convention. The registration was the largest since 1922 when more than 11,000 attended the New York City meeting. Then, however, there were some 30,000 banks in the country, so a comparison is hardly fair. The program was star-studded, as the saying goes. (Four of the stars were on the shoulder of a single speaker.) It was fact-filled, too; there was something for just about every banker—information he could take home and use.

Oh yes—the Association had an



President Florence (left) congratulates the new vice-president, Erle Cocke (see page 91)

election, too! Read about that in the separate story on page 90.

Also, the Association had distinguished guests, a pleasant entertainment schedule provided by the Chicago banks through their clearing house association, and crowds, crowds, everywhere you went. The leadership and quiet humor of Homer J. Livingston, president of the A.B.A. and of The First National Bank of Chicago, kept things moving smoothly.

Now let's go back to the floor, as it were, and hear what the convention did and talked about.

"We Should Be Alert"

In a resolution, the Association noted that the present "record-breaking prosperity affirms the vigor and resilience of our private enterprise economy" and that the boom

is "not being supported by large-scale Federal deficits." However:

"In such a period we should be alert to prevent inflationary excesses which lead to inevitable reactions later on. There has been a broad expansion in credit of all types in the past years, and there is evidence that inventory accumulation is taking place. It is important that these influences do not produce a rise in prices, or in wages not based on productivity gains, with a possible resumption of the wage-price spirals which reduced the purchasing power of the dollar after the recent war."

Instalment and home mortgage credit must continue to flow, obviously, continued the resolution, but bankers should watch the quality of their loans, making sure that borrowers have "proper equity in their purchases" and are able to "main-

tain their finances and credit on a sound and sensible basis."

The resolution further noted that Federal Reserve policy has "continued to demonstrate the flexibility essential to effective monetary management and has been adjusted promptly to changing conditions. It properly seeks to restrain credit excesses which could impair the stability and sound growth of our economy."

"A Time for Vigilance"

The Association's Economic Policy Commission, in a statement titled "A Time for Vigilance," said:

"We Americans are now enjoying exceptionally prosperous conditions. Our task for the future is to maintain prosperity and growth while at the same time avoiding further inflation. This should be our common central objective. If a reasonably stable economic growth can be achieved, every part of the population can share in the years ahead in the increasing benefits of our dynamic and tremendously productive economy.

"With the exception of some weakness in agriculture, our present prosperity is broadly based.

"We know from experience, however," the Commission added, "that periods of prosperity often produce excesses that lead to trouble. At a time like this, it would be foolish to ignore potential trouble spots which could occur sooner or later to endanger the stability and growth of the country."

PRINCIPAL SPEAKERS—Left to right, Gen. Alfred M. Gruenther ("The Defense of Europe—A Progress Report"), Clarence B. Randall ("A Creed for Free Enterprise"), Robert Cutler ("The Dependence of Our National Security Upon a Strong Economy"), Under Secretary of the Treasury W. Randolph Burgess ("Greetings from the United States Treasury Department")



PHOTOS BY OSCAR

The report then noted five principal areas "in which trouble might develop": credit, business inventories, wages, the stock market, and Federal fiscal policies. Excesses in any, it said, "could have serious consequences for the entire economy, especially if they were to occur in several areas at the same time." (Note that the Commission said "could" and "might.")

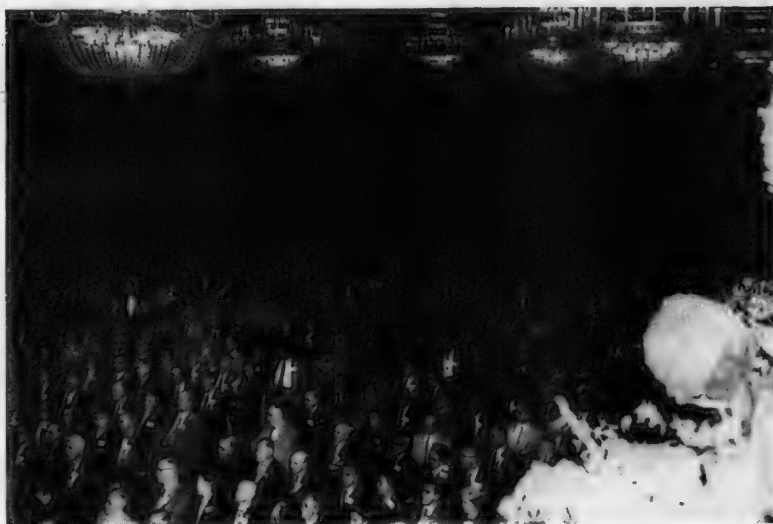
In general, the report asserted, "the problem is to avoid excesses. Today the main thing we have to fear is over-optimism. This is a situation that calls for prudence."

Florence Sees Tests Ahead

Fred F. Florence, of Dallas, the Association's new president, said in his acceptance speech that the coming year would provide "many tests for banking leadership." Bankers face the challenge of managing their affairs "so as to retain and enhance the economic gains of recent years."

Banking, he asserted, "will keep pace with ingenuity in science and business," and will meet adequately the economy's financial needs.

Homer J. Livingston of Chicago, the retiring president, predicted at his preconvention press conference that business would be very good the remainder of this year. He thought '56 would be good, as a whole, although somewhat under '55. The country, he told reporters, is in a period of "creeping inflation."



A crowded general session in the Hilton's Grand Ballroom

Let Not Prosperity Blind Us

From Under Secretary of the Treasury W. Randolph Burgess, a former president of the Association, the convention heard these words of caution: "Here is the problem today on which you and we must work together: We must see that prosperity does not blind us and turn our heads, does not lead us to over-confidence, or to excesses which will tip us over into a recession."

Mr. Burgess said "the very growth and prosperity of today have brought the threat of inflation," and many

nations have had to take steps toward ensuring continued stability. Countries that have been through the "real inflation wringer" are ready to accept "the discomfort of high money rates, low bond prices, curtailed credit, and even controls, because they remember the bitter taste of inflation." But the heaviest responsibility is on the United States: "As the dollar goes, so go the rest of the world's currencies."

The Under Secretary observed that whereas the Government had responsibilities to balance the budget, keep a rein on Federal credit, and "exercise wisely its legal powers over private credit," bankers also had difficult things to do:

"To lend money prudently, to counsel customers wisely, to handle your investments with a long-range point of view."

Mr. Burgess called attention to the great improvement shown by the free countries. "Production everywhere is now above prewar levels, and, in many cases, is as much as 50% higher—even more so in some instances," he said.

"The Quality of Credit"

From C. Canby Balderston, vice-chairman of the Board of Governors of the Federal Reserve System, a speaker at the National Bank Division's annual meeting came this comment: "Now that prosperity is here, it should be enjoyed but not abused." The problem is to maintain it by "restraining unwise speculation"; many financial crises were

Both general sessions were opened with presentation of the Colors by the American Legion Color Guard, The First National Bank of Chicago Post 985, who are former national and state champions



OSCAR

Honored for Long Service

ROBERT V. FLEMING, president, The Riggs National Bank, Washington, D. C.; and Edward Eagle Brown, chairman of the board, The First National Bank of Chicago, were honored at the convention by the A.B.A. Government Borrowing Committee for their years of service to the Committee. Mr. Fleming has been chairman for 10 years. Mr. Brown, who is retiring from the group, has been a member since it was formed 13 years ago.

The men received engrossed testimonials at a Committee meeting. Mr. Fleming's was presented by President Homer J. Livingston. Mr. Fleming made the presentation to Mr. Brown.

The testimonial to Mr. Fleming reads:

"To Robert V. Fleming on his tenth anniversary as chairman of the Committee on Government Borrowing of the American Bankers Association, this testimonial of appreciation and affection is presented in recognition of his distinguished leadership of this Committee and for his unselfish service to the Association for more than a quarter of a century.

"It has indeed been a rare privilege for all of us on the committee to work with 'Chairman Bob' in this important Association activity."

The testimonial to Mr. Brown reads:

"Over the years, many great men have served the American Bankers Association with devotion and distinction. One of these is Edward Eagle Brown. 'Ned,' as he is affectionately known by his legion of friends, has been a member of the A.B.A. Government Borrowing Commit-



Left to right: Messrs. Fleming, Livingston, Brown

tee since its inception thirteen years ago. During all this time, he has given generously of himself and his wisdom to the work of this important Committee. His desire to retire from the Committee's activities is deeply regretted, and this testimonial is given to him with the sincere appreciation and affectionate regards of all of us who have served with him on this Committee."

In addition to the signatures of all members of the committee, the testimonials are signed by Mr. Livingston; Fred F. Florence, new president of the Association; and Merle E. Selecman, A. B. A. executive manager.



PHOTOS BY OSCAR

Savings and Mortgage Division President Joseph R. Jones (standing), spoke on "Mortgage Credit and Savings in Today's Economy." Mr. Jones, the Division's outgoing head, is vice-president, Security-First National Bank of Los Angeles. At the speaker's table with him are, left to right, Earle A. Welch, newly elected president of the Savings and Mortgage Division and treasurer, Meredith Village Savings Bank, Meredith, New Hampshire; Allyn P. Evans, president, Lionel D. Edie & Company, Inc., investment counsel and economic consultants, New York; J. R. Dunkerley, deputy manager, A.B.A., in charge of the Savings and Mortgage Division; and John R. Doscher, executive director, "Operation Home Improvement," New York (on loan for a year from his position as assistant to the publisher of *Life*). Seated behind the speakers' table, left to right, are three past presidents of the Savings and Mortgage Division: William A. Reckman (1950-1951), vice-president, Fifth-Third Union Trust Company, Cincinnati; Charles H. Deppe (1923-1924), vice-president, Fifth-Third Union Trust Company, Cincinnati (retired); and Fred F. Spellissy (1946-1947), executive vice-president, Market Street National Bank, Philadelphia

"the unhappy result of speculative excesses and a too exuberant granting and use of credit."

Parodying Shakespeare, Governor Balderston asserted: "It is important that the quality of credit be not strained. To keep excessive optimism in leash requires prudent judgment, and is the overriding obligation, not only of business executives and of labor leaders, but of bankers in particular, for bankers have unusual opportunities to secure an over-all view of the economic scene; and they possess exceptional experience and skill in dealing with risks."

As for the ability of general monetary policy to restrain inflation, it was Governor Balderston's opinion that this is "our best hope"; but it "requires the collaboration both of fiscal policy and of such executive prudence as will maintain the quality of credit."

Some of the Governor's present concern was reflected in questions, the answers to which, he said, could

best be reached by each banker and his customer:

"(1) Is credit being sought and extended for purposes that are primarily speculative rather than constructive? Is making a 'fast buck' the objective rather than increasing the supply of goods and services?"

"(2) How long does it take the owner to obtain a significant equity in durable goods that are bought on time, in view of the rapid early depreciation of the goods and the costs of financing their purchase? . . . Suppose the borrower loses his job, or his sense of responsibility toward his obligations, especially if a price decline causes him to feel that he has no equity left and that he is 'paying for a dead horse'?"

"(3) Is adequate liquidity being maintained by banks as well as by their borrowers?"

"(4) Are future growth, prosperity, and equity values being overly discounted?"

"(5) Are construction costs being raised unduly by too intensive activity in this segment of the economy?"

No Calamity Preaching

Joseph R. Jones, vice-president of the Security-First National Bank of Los Angeles, said in his address as president of the A.B.A. Savings and Mortgage Division that bankers "certainly must not be the ones to preach calamity," but at the same time they "should instill due and proper caution" in their customers.

"This is indeed a time for what I like to think of as 'conservative optimism,'" he said. "Recessions are not at all impossible, but if we use our best efforts we may be a very strong factor in making them impossible, or greatly softening their impact when and if they occur."

The granting of too easy credit in the housing industry, Mr. Jones pointed out, "might create results far more serious and damaging than would occur from a temporary and completely natural leveling off of volume of construction."

1956: a Year of Normal Growth

An investment counsel and economic consultant was of the opinion that 1956 should be a year of normal business growth. Expressing the opinion that by the end of this year or early next, the effects of Federal Reserve policy of restraint should be apparent, Allyn P. Evans,



THE ANNUAL LUNCHEON FOR FORMER A.B.A. PRESIDENTS. *Clockwise around the table from the left (dates are years of election):* TOM K. SMITH (1936), chairman, The Boatmen's National Bank, St. Louis, Mo.; C. FRANCIS COCKE (1951), president, The First National Exchange Bank, Roanoke, Va.; F. RAYMOND PETERSON (1949), chairman, First National Bank and Trust Company, Paterson, N. J.; P. D. HOUSTON (1940), director, First American National Bank, Nashville, Tenn.; A. L. M. WIGGINS (1943), chairman, Bank of Hartsville, Hartsville, S. C.; RUDOLF S. HECHT (1934), R. S. Hecht & Co., New Orleans, La.; incoming President FRED F. FLORENCE, president, Republic National Bank of Dallas, Dallas, Tex.; outgoing President HOMER J. LIVINGSTON, president, The First National Bank of Chicago, Chicago, Ill.; W. RANDOLPH BURGESS (1944), Under Secretary of the Treasury for Monetary Affairs, Washington, D. C.; ROBERT F. MADDUX (1918), director, First National Bank, Atlanta, Ga.; ROBERT V. FLEMING (1935), president and chairman, The Riggs National Bank of Washington, Washington, D. C.; EVANS WOOLLEN, JR. (1948), president, American Fletcher National Bank and Trust Co., Indianapolis, Ind.; C. W. BAILEY (1946), president, First National Bank, Clarksville, Tenn.; JAMES E. SHELTON (1950), president, Security-First National Bank of Los Angeles, Los Angeles, Calif., Executive Manager MERLE E. SELECMA

Again this year the Independent Bankers Association, Twelfth Federal Reserve District, held a breakfast meeting at the time of the American Bankers Association convention. At the speaker's desk in this picture is Harry J. Harding, president of the Independent Bankers and President, First National Bank, Pleasanton, Calif. Speaker's table guests shown in the picture are, left to right, seated, C. Canby Balderston, vice-chairman and member of the Board of Governors, Federal Reserve System; H. Earl Cook, chairman, Federal Deposit Insurance Corporation; Ray M. Gidney, Comptroller of the Currency; Stanley M. Barnes, Assistant Attorney General of the United States, who, as principal speaker on this occasion, discussed "The Justice Department Looks at Bank Mergers"; A.B.A. President Homer J. Livingston, and former presidents of the A.B.A., Everett D. Reese and W. Harold Brenton



PHOTOS BY OSCAR



At the State Bank Division officers' dinner for the State Bank Commissioners Conference are shown G. M. Matthews (left), president of the National Association of Supervisors of State Banks and Commissioner of Banks of the State of Wisconsin, with Robert H. Bolton, newly elected president of the State Bank Division of the A.B.A. and executive vice-president of the Rapides Bank and Trust Company in Alexandria, La.



The Comptroller of the Currency was a luncheon guest of the National Bank Division. Shown here are, left to right: Deputy Comptroller L. A. Jennings; Comptroller Ray M. Glynn; newly elected National Bank Division President Gibbs Lyons, president, First-Stamford National Bank & Trust Company, Stamford, Conn.; the Division's new vice-president, Sam M. Fleming, president, Third National Bank in Nashville, Tenn.; and Deputy Comptroller W. M. Taylor

The State Association Section's meeting was presided over by outgoing President Robert E. Lee Hill (standing), who is executive manager of the Missouri Bankers Association. Seated at the table, left, is the Section's secretary, A.B.A. Deputy Manager George R. Amy. At the right is George P. Lamb, partner in the Washington, D. C., law firm of Cann, Lamb, Long and Kittelle, who spoke on "Trade Associations and the Anti-Trust Laws"



PHOTOS BY OSCAR

president of Lionel D. Edie & Company, foresaw "a good chance" for the success of this policy. It will, he said, "prevent dangerous excesses that require drastic correction, while increased population and the rising level of family income will sustain the growth trend."

"The forces of resurgence present in 1955 will be cut," he continued, "but the normal growth forces will persist."

Remember the Past

G. M. Matthews, Wisconsin Commissioner of Banks and president of the National Association of Supervisors of State Banks, said bankers must make sure that lessons of the past weren't forgotten in analyzing today's conditions.

"The challenge to present bank management and to all of us," he told the State Bank Division, "is to try to discover any present-day weaknesses, and to the best of our ability correct those which lie within our power to correct. I for one feel that banking is now having its second chance and dare not fail. Should it do so, is it not logical to assume that there will be a receptive government standing ready to absorb the banking system, either direct or through an agency created for the purpose?"

Mr. Matthews also said one of the "greatest bank weaknesses today" is the failure to provide for and develop future management. To bring in more capable young men, banks must meet the salary competition of industry, must sell banking as a career, and have broader employee training programs.

Mergers

Bank mergers provide a subject that's bound to crop up at a bankers' meeting these days—and sure enough, it appeared at the convention.

The Comptroller of the Currency, Ray M. Glynn, who spoke at the National Bank Division's meeting, had this to say:

"In general, it has been our observation that the mergers which have been consummated have not substantially lessened competition; but rather we find that in these present days, banking competition is more vigorous and keener than ever before. . . . It would seem that credit facilities are more readily available

(CONTINUED ON PAGE 151)

From BANKING'S *Convention* *Notebook*

20-Foot Telegram

THE convention's longest telegram—a 20 footer—was for President Florence. It brought the good wishes of his staff at the Republic National Bank of Dallas, and was signed by all of the nearly 1,000 employees. He received it just after his installation at the second general session.

Homer Livingston's Talk

President Livingston's convention address was on "The Responsibilities of Leadership" borne by the American banker. They are: safety of the depositors' funds, providing adequate and continuous credit, careful administration of the bond portfolio, planned growth of the capital account, training men for executive leadership; providing comprehensive and competent accounting and auditing controls.

But beyond these, he said, are the responsibilities of understanding and supporting fully the private

President and Mrs. Florence—and 20 feet of good wishes from the Republic National staff

property and free markets system; having a thorough knowledge of the Federal Reserve System, Government fiscal policies, and debt management; familiarity with the economic indicators; a thorough understanding of international fiscal and economic policies; and an awareness of "the far-reaching economic and social implications of his business."

Convention Symbol: "SRO"

Yes, the SRO sign was up everywhere—especially at the Division meetings on Monday. Savings and Mortgage bankers lined the walls of the Conrad Hilton Waldorf Room

for the program prepared by their president, Joseph R. Jones, vice-president of the Security-First National Bank of Los Angeles. State bankers jammed the huge ballroom to hear their president, Ben S. Summerwill, chairman of the Iowa State Bank and Trust Company, and the other speakers.

The National Bank Division, moving into the same quarters that afternoon, crowded it again for the session presided over by Gibbs Lyon, president of the First-Stamford Bank & Trust Company, Stamford, Conn. George C. Barclay, vice-president of City Bank Farmers Trust Company, New York, had more than a full house when he rapped the presidential gavel to open the Trust Division's meeting.

And standing room was scarce for the meeting of the State Association Section where President Robert E. Lee Hill, executive manager of the Missouri BA, kept things moving.

But the biggest crowd was at the first general session. People stood along the walls, filled the balcony, overflowed into a couple of adjoining rooms.

Greetings and Salutations

Sixteen past presidents of the Association were introduced by A.B.A. Executive Manager Merle E. Seletman: Robert F. Maddox, 1918; Francis Marion Law, 1933; Rudolf S. Hecht, 1934; Robert V. Fleming, 1935; Tom K. Smith, 1936; P. D. Houston, 1940; A. L. M. Wiggins,



UNITED PRESS

President Livingston meets the press



REX

"May he soon be restored to health"

The following resolution, adopted at the first general session, was sent to President Eisenhower:

The 81st Annual Convention of the American Bankers Association is saddened by the news that the President of the United States has been stricken with a sudden illness.

We, the members of the Association, in general assembly, desire to express to President Eisenhower our faith in him. We entertain the hope, coupled with our prayers, that he may soon be restored to his usual good health.

The resolution was presented to the convention for the A.B.A.'s Resolution Committee by C. Francis Cocke, chairman of the board of The First National Exchange Bank of Roanoke, Va., Committee chairman.

1943; W. Randolph Burgess, 1944; Frank C. Rathje, 1945; C. W. Bailey, 1946; Evans Woollen, Jr., 1948; F. Raymond Peterson, 1949; James E. Shelton, 1950; C. Francis Cocke, 1951; W. Harold Brenton, 1952; Everett D. Reese, 1953. For good measure, Mr. Selecman also asked retiring president Livingston to take a bow, too.

Also introduced were Ray M. Gidney, Comptroller of the Currency; H. E. Cook, chairman of the FDIC; Mrs. Ivy Baker Priest, Treasurer of the United States; G. M. Matthews, Commissioner of Banks, Wisconsin, and president of the National Association of Supervisors of State Banks; Bueno Arturo Urquidi, past president of the Mexican Bankers Association.

There was a special introduction for J. Vincent O'Neill, president and chairman of the Mercantile National Bank of Chicago. Mr. O'Neill is president of the Chicago Clearing House Association, whose member banks were hearty hosts for this great convention.

The Chicago banks' greetings were delivered at the first general session by Solomon A. Smith, chairman of the clearing house's Clearing Committee, and president of The Northern Trust Company.

Brass

General Gruenther got plenty of support from the Army for his appearance before the convention. Seated on the platform during the session at which he spoke were: Major General Chester R. Davis, ret., Assistant Secretary of the Army and former vice-president of Chicago Title & Trust Company; Major General P. D. Ginder, com-

manding the Fifth Army; and Major General "Wild Bill" Donovan, ret.

Powerama, Music, Tea

The Chicago banks headlined their entertainment program with a Sunday morning visit to the big General Motors Powerama, the outdoor "World's Fair of Power," where the applications of power to the American scene were vividly dramatized. Later that day came the traditional convention reception and tea and a concert by the Chicago Symphony Orchestra under George Schick. On Tuesday the ladies' luncheon and the informal convention reception attracted thousands.

News

BANKING had a news ticker in its booth among the Educational Dis-

plays. Bulletins on President Eisenhower's condition, posted prominently as soon as received, were eagerly read by delegates strolling through the big room.

The Colors

Both general sessions opened with a presentation of the colors by the American Legion Color Guard, The First National Bank of Chicago Post 985.

The men were snappy, indeed, and you knew that their boss, President Livingston, was proud of 'em. In fact, he said so.

This Electronic Age

The Educational Displays in the Conrad Hilton were thoroughly canvassed. It seemed that nearly every banker wanted to get information on what was what and what was new in electronic equipment and the other banking paraphernalia exhibited and demonstrated by the many firms.

A Hardy Perennial

The Agricultural Breakfast, a convention veteran, had its usual big turnout. The speaker was Charles B. Shuman, president of the American Farm Bureau Federation. There's a report on his talk in this month's "Country Banker" section. Jesse W. Tapp, chairman of Bank of America and of the A.B.A. Agricultural Commission, presided at the head table.

A few of the convention goers who visited the Powerama. A fleet of buses conveyed them to and from the big show



JON

Six Association Leaders

Brief biographies of the men who will serve with President Florence and Vice-president Cocke in the direction of the affairs of the American Bankers Association for the year 1955-56 follow. These men were elected during the A.B.A. Convention in Chicago. Mr. Florence was the subject of an article that appeared in October BANKING.

GEORGE R. BOYLES

Treasurer,
American Bankers Association

GEORGE R. BOYLES, chairman of the board and president of the Merchants National Bank in Chicago, Chicago, Ill., is a native of that city and attended the School of Commerce of Northwestern University and the American Institute of Banking.

MR. BOYLES entered banking in



George R. Boyles

1907 with the First National Bank of Chicago. In 1912 he became an examiner for the Chicago Clearing House Association; and in 1928, executive vice-president of the Lake View State Bank. In 1930 he be-

came president of the Madison Kedzie Trust & Savings Bank, and in 1934 president and chairman of the board of the Merchants National Bank of Chicago, the position he now holds.

In the Illinois Bankers Association, MR. BOYLES served on a number of committees; as vice-president in 1942-43, and president in 1943-44.

In the American Bankers Association, he was a member of the Executive Council from 1943 to 1946 and again in 1951-52. He was state vice-president for Illinois in 1945; member of the Treasury Savings Bonds Committee from 1946 to 1952; and member and chairman of the Nominating Committee in 1950, '51, and '52. He was a member of the Association's Administrative Committee in 1951-52 and was chairman of the Committee on Federal Legislation from 1952 to 1955.

Outside of the banking business, MR. BOYLES is president of Palisades Park Properties, Inc.; and a director

The New Officers

THE new officers elected on September 26 by the divisions and sections of the American Bankers Association to serve during the year 1955-56 are:

NATIONAL BANK DIVISION: President, GIBBS LYONS, president, First-Stamford National Bank & Trust Company, Stamford, Conn.; vice-president, SAM M. FLEMING, president, Third National Bank, Nashville, Tenn.; *Executive Committee Chairman*, WILLIAM M. LOCKWOOD, president, Howard National Bank and Trust Company, Burlington, Vt. MR. LYONS succeeds the late B. MAGRUDER WINGFIELD, formerly vice-president, National Bank of Houston, Tex.

SAVINGS AND MORTGAGE DIVISION: President, EARLE A. WELCH, treasurer, Meredith (N. H.) Village Savings Bank; vice-president, DANIEL W. HOGAN, JR., president, City

National Bank and Trust Company, Oklahoma City, Okla. MR. WELCH succeeds JOSEPH R. JONES, vice-president, Security-First National Bank of Los Angeles, Calif.

Chairman of the Division's Federal Legislation Committee for 1955-56 will be PAUL A. WARNER, president, Oberlin (Ohio) Savings Bank. Chairman of its State Legislation Committee for the ensuing year will be HAROLD N. NASON, treasurer, Bangor (Maine) Savings Bank.

STATE BANK DIVISION: President, ROBERT H. BOLTON, executive vice-president, Rapides Bank & Trust Company, Alexandria, La.; vice-president, A. K. DAVIS, senior vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C.; *Executive Committee Chairman*, BEN C. CORLETT, vice-president, American Trust Company, San Francisco, Calif. Mr. Bolton succeeds

BEN S. SUMMERWILL, chairman of the board, Iowa State Bank and Trust Co., Iowa City.

TRUST DIVISION: President, RICHARD P. CHAPMAN, president, The Merchants National Bank of Boston, Mass.; vice-president, THOBURN MILLS, vice-president, The National City Bank of Cleveland, O.; *Executive Committee Chairman*, WALTER KENNEDY, president, The First National Bank of Montgomery, Montgomery, Ala. MR. CHAPMAN succeeds GEORGE C. BARCLAY, vice-president, City Bank Farmers Trust Company, New York City.

STATE ASSOCIATION SECTION: President, OSCAR R. MENNENGA, executive manager, California Bankers Association, San Francisco; vice-president, KENNETH McDougall, executive manager, Savings Banks Association of Massachusetts, Boston.



Gibbs Lyons

of the Webster-Chicago Corporation.

MR. BOYLES is married and has two children. He makes his home in Oak Park, Illinois.

GIBBS LYONS

President, National Bank Division

GIBBS LYONS, president, First-Stamford National Bank & Trust Company, Stamford, Conn., was born in Jackson, Ga., and attended Emory University in Atlanta, Ga.

MR. LYONS was connected with the Federal Reserve Bank of Atlanta from 1917 to 1919. From 1919 to 1944, he was associated with the office of the Comptroller of the Currency, serving in various capacities, including Deputy Comptroller of the Currency and Chief National Bank Examiner. He has been president of the First-Stamford National Bank & Trust Company since 1944.

He is a past president of the Connecticut Bankers Association.

In the American Bankers Association, he has been a member of the Federal Deposit Insurance Committee since 1948. In the National Bank Division, he was state vice-president for Connecticut in 1946-48; a member of the Research and Operations Committee in 1951-52; chairman of the Committee on Relations with Federal Agencies in 1952-53; a member of the Executive Committee in 1951-54, being chairman in 1953-54; and vice-president of the Division in 1954-55.

MR. LYONS is a member of the Stamford Rotary Club and the Economic Club of New York; director of the Northam Warren Corporation, Stamford, and Stamford Boys' Club; director and treasurer, Rehabilitation Center for the Physically Handicapped, Stamford; treasurer, Stamford Hospital Building Fund and incorporator of hospital; president, Stamford Community Chest; vice-president and chairman, executive committee, Stamford Chamber of Commerce; and vice-president, Connecticut State Chamber of Commerce.

MR. LYONS is married and has two daughters. He makes his home in Stamford.

RICHARD P. CHAPMAN

President, Trust Division

RICHARD P. CHAPMAN, president, The Merchants National Bank of Boston, Mass., was born in Chester, Iowa. He received a B.A. degree from Carleton College, Northfield, Minn.; and an M.B.A. degree from the Graduate School of Business, Harvard University.

He has been with the Merchants National Bank since his graduation, first as an investment analyst, then as assistant vice-president in 1937, vice-president in 1939, and executive vice-president in 1947; he has been president of the bank since 1952. He is also a trustee of the Franklin Savings Bank of Boston.

MR. CHAPMAN was president of the Corporate Fiduciaries Association of Boston in 1942-44, and treasurer of the Massachusetts Bankers Association in 1950-51.

In the Trust Division of the American Bankers Association, MR. CHAPMAN was a member of the Committee on Trust Investments in 1942-49, being chairman in 1945-49; a member of the Committee on Trust Policies in 1949-53, being chairman in 1951-53; served two terms on the Executive Committee—1947-50 and 1951-54, being chairman in 1953-54; and was vice-president of the Division in 1954-55.

MR. CHAPMAN is a director of Bird & Son, Inc., East Walpole; Wm. Underwood Co., Watertown; Graton & Knight Co., Worcester; and of Kennedy's Inc., New England Mutual



Richard P. Chapman

Life Insurance Company, Lumber Mutual Fire Insurance Company, and Forbes Lithograph Manufacturing Company, all of Boston. He is chairman of the board of directors of Wheaton College, Norton, Mass.; trustee of Newton-Wellesley Hospital; and vice-president and trustee of Boys' and Girls' Camps, Inc., Boston.

MR. CHAPMAN is married and has one son and one daughter. His home is in Brookline, Mass.

EARLE A. WELCH

President,
Savings and Mortgage Division

EARLE A. WELCH, treasurer of the Meredith Village Savings Bank, Meredith, N. H., was born in Pittsfield, N. H.

MR. WELCH was engaged in farming and lumbering for some time before entering the employ of the Pittsfield National Bank and Farmers Savings Bank of Pittsfield. He joined the staff of the Meredith Village Savings Bank in 1923, became assistant treasurer in 1924, and treasurer in 1928. In 1924 he organized the Meredith Trust Company, becoming its first treasurer, a position he still holds. He became vice-president of the Meredith Trust Company in 1944.

MR. WELCH served as a member of the executive committee of the New Hampshire Bankers Association in 1948-52 and as president of the association in 1950-51. He is a former member of the board of di-

rectors of the Savings Banks Association of New Hampshire and was chairman of the Joint Legislative Committee for Revision of Investment Laws (New Hampshire Bankers Association and Savings Banks Association of New Hampshire) in 1950-53. He was a member of the Council of Administration of the National Association of Mutual Savings Banks in 1951-52 and is currently a member of its Committee on Insurance.

In the American Bankers Association, MR. WELCH served as New Hampshire state vice-president for the Trust Division in 1945-46. He served on the Executive Committee of the Savings and Mortgage Division in 1953-54, and as vice-president of the Division in 1954-55.

MR. WELCH is married and has four children. He makes his home in Meredith.

ROBERT H. BOLTON

President, State Bank Division

ROBERT H. BOLTON, executive vice-president, Rapides Bank & Trust Co., Alexandria, La., was born in Alexandria. He received a B.S. in economics from the Wharton School of Finance and Commerce of the University of Pennsylvania.

MR. BOLTON was with the credit department of the Guaranty Trust Company of New York in 1930 and 1931. He became assistant cashier of the Rapides Bank & Trust Co. of Alexandria in 1932 and has been

with that bank ever since, except for a time in 1933 when he was on leave of absence to serve as assistant examiner for the Federal Deposit Insurance Corporation. He became cashier in 1936 and vice-president in 1943, and has been executive vice-president since 1947.

During World War II, he served as a lieutenant in the U. S. Navy.

MR. BOLTON has been active in bankers association work. In the Louisiana Bankers Association, he was treasurer in 1948, vice-president in 1949, and president in 1950; he has been a member of its Legislative Committee since 1950. He was a director of the Robert Morris Associates in 1943-45. He was president of the Louisiana Mortgage Bankers Association in 1952. He is a member of the FHA Committee of the Mortgage Bankers Association of America.

In the American Bankers Association, MR. BOLTON was state vice-president for Louisiana on the Organization Committee in 1951-53; from 1953 to May 1954, was a member of the Executive Council; and in 1953-54 was a member of the Federal Legislative Council. In the State Bank Division, he was a member of the Committee on State Banking Departments in 1951-52; chairman of the Committee on State Bank Research in 1952-53; chairman of the Committee on Relationship between Federal Bank Supervisory Agencies and State-Chartered Banks in 1953-54; a member of the Executive Committee in 1951-54, being chairman in 1953-54; and vice-

president of the Division in 1954-55.

In 1942 MR. BOLTON received the Junior Chamber of Commerce award as the outstanding young man in Rapides Parish. He has served several years as director of the Alexandria Chamber of Commerce.

MR. BOLTON is married and has one son and two daughters. He resides in Alexandria.

OSCAR R. MENNENGA

President,

State Association Section

OSCAR R. MENNENGA, executive manager of the California Bankers Association, was born in Hastings, Nebr.

From 1926 to 1941, MR. MENNENGA was with the Federal Reserve Bank of San Francisco. In 1941, he became assistant manager of the California Bankers Association, and in 1946 executive manager.

MR. MENNENGA was designated vice-president of the State Association Section of the American Bankers Association in April 1955 to fill out the unexpired term of ARTHUR L. GANSON, who resigned as executive secretary of the Washington Bankers Association.

MR. MENNENGA is a member of the Commonwealth Club of California and the Mechanics Institute. He has been active in 4-H Club work in California, receiving state and national alumni recognition awards.

He is married and lives in San Francisco.

Earle A. Welch



Oscar R. Mennenga



Robert H. Bolton



RESOLUTIONS

International Situation

WE commend our nation's leaders for their unrelenting efforts to find peaceful solutions to international problems while resisting pressure for appeasement or for relaxation of our defense ef-

fort. The easing of international tension resulting from the Geneva meeting is welcome, provided we are not misled into thinking that the Communists have abandoned their objective of world conquest. The Free World should not for a moment

let down its guard. The recent Atomic Energy Conference in Geneva demonstrated how, if men can learn to live together in peace, modern science and technology can open up vast stores of untapped knowledge. (CONTINUED ON PAGE 132)

The Delegates Ballot for Vice-president

It's mid-morning of Convention Wednesday, and a man in a dark blue suit stands at the microphone on the stage of a hotel ballroom in Chicago. Reporters down front make ready; the 2,700 men and women in the audience fidget. Everybody knows that Homer J. Livingston, president of The First National Bank of Chicago, and 1954-55 president of the American Bankers Association, is ready to announce "the news": Cocke or Arthur for A.B.A. vice-president.

Just 24 hours ago this king-size convention had elected to the presidency by acclamation Fred F. Florence, president of the Republic National Bank, Dallas. The nominating committee, through Chairman Frank C. Rathje, Chicago banker and ex-A.B.A. president, had also named Erle Cocke, vice-chairman of the Fulton National Bank, Atlanta, for vice-president.

Then, from the floor, Harry M. Arthur, president of the Arthur State Bank of Union, N. C., had been nominated by Harry O. Nichols, delegate from the Southern Bank of Norfolk, Va. Half a dozen speakers supported each candidate, and there were some lively exchanges of opinion as "state" and "national" bankers supported their man. Mr. Livingston remarked that the delegates were getting their money's worth from the registration fee. Everybody laughed.

So the decision went to a written vote for the first time in the Association's 81 years, and on this Wednesday morning the result is waiting on a piece of paper sealed into an envelope by Peat, Marwick and Mitchell, the CPA firm which supervised the balloting.

Mr. Livingston who seems to be enjoying the dramatics, asks Stanley Shirk, representing the account-

ants, to come forward. Mr. S. delivers the envelope. "It's marked 'Private and Confidential,'" says Mr. Livingston, "so I'll open it anyway." He does so, slowly; the crisp paper crackles over the public address system. It's just like television. Then he removes a formal letter. It states, in cold business English, the circumstances, and then in the very last sentence announces that 1,847 votes had been cast the previous afternoon. Of this number Mr. Arthur received 664, Mr. Cocke 1,183—so Mr. Cocke is the new vice-president of the American Bankers Association.

Mr. Arthur's Motion

The convention is still cheering when Mr. Arthur, sitting near the front of the ballroom, jumps to his feet.

"Mr. President, I move that the election be made unanimous!" he exclaims. He sits down quickly. One neighbor squeezes his arm, another one pats his shoulder.

The convention roars again. Mr. Livingston beams. "That motion is made in the finest spirit of our Association!" he says as he offers it—and the delegates thunder their Ayes.

And President Florence remarks that Mr. Cocke has been elected under "the highest tradition of democracy in action."

A few hours later the Association's first team for 1955-56 is joined by George R. Boyles, chairman of the board and president of the Merchants National Bank in Chicago, who is elected A.B.A. treasurer by the Executive Council.

The delegates vote



Pres. Livingston opens the envelope



PHOTOS BY OSCAR

Meet the New Vice-president

ERLE COCKE, newly elected vice-president of the American Bankers Association, is a man of varied interests, achievements and plans for the future.

Vice-chairman of the board, chairman of the executive committee, and chief executive officer of the Fulton National Bank, Atlanta, Mr. Cocke has been, at one time or another, farmer, state senator, secretary, treasurer, and executive officer of the Board of Regents of the University System of Georgia, head of the Atlanta agencies of the Reconstruction Finance Corporation and Commodity Credit Corporation, and financial observer at the Bretton Woods Conference. He has served as vice-president, executive vice-president and then president of the Fulton National Bank for the past 10-year period.

Mr. Cocke has an impressive list of banking achievements to his credit: establishment of forums and clinics for the purpose of acquainting the lay person with banking procedures and services; sponsoring of a life-insured savings program; organization of a high school savings bank program, and helping with the restoration of Georgia's farm lands by tree planting. Mr. Cocke numbers the latter among his most cherished projects, for it resulted in the planting of half a billion pine trees in Georgia.

Mr. Cocke still carries on his interest in farming in Terrell County, where he owns a farm on which he grows livestock, peanuts, cotton, grain—and pine trees.

Born in Lee County, Georgia, on June 26, 1895, Erle Cocke attended schools in Dawson. He was graduated by the University of Georgia and is a member of the Alpha Tau Omega fraternity. He is active in church and civic affairs. He is a member of the Baptist Church and has been particularly interested in American Red Cross, Community Chest, and similar efforts.

He was elected state senator in

Erle Cocke



1927, was appointed to the Board of Regents of the University System of Georgia in 1932, and served as manager of the Reconstruction Finance Corporation of Atlanta for the next four years. He joined the Fulton National Bank of Atlanta in 1938 as vice-president, became executive vice-president in 1942 and president in 1945, and in 1954 was elevated to his present position.

Mr. Cocke has been most active through the years in the American Bankers Association and has a wide personal acquaintance with its members throughout the country. At the time of his election to the vice-presidency, a member of the Executive Council of the A.B.A., the Government Borrowing Committee, and the Federal Legislative Council, he is also state chairman for Georgia. He was state vice-president for Georgia of the Trust Division in 1943-44 and a member of the Credit Policy Commission in 1945-46.

He is chairman of the Federal Legislative Committee for the Georgia Bankers Association, former president of the Atlanta Clearing House Association, and has held numerous state offices. He has served on committees and groups of the Georgia Bankers Association on investment and trust activities, commercial banking, savings bonds, and

industrial and agricultural development.

Mr. Cocke is a trustee of the Committee on Economic Development, Church Endowment Fund, Southern Baptist Convention, Georgia Baptist Foundation, Atlanta Community Chest, and YWCA. He is also a director of the Central of Georgia Railway, American Forestry Association, Henry Grady Hotel, and Candace, Inc.

An overseas veteran of World War I, the Fulton executive is a member of the American Legion and was national vice-commander in 1922-23. His son, Erle Cocke, Jr., a hero of World War II, served as a national commander of the Legion.

People who know Mr. Cocke consider him a man with national vision and understanding of the banking needs of the country, combined with the know-how to get things done.

He can take justifiable pride in the new Fulton National Bank building which had its official opening in October 1955. Construction began on the new building in August 1953. Twenty-five stories high, it is Atlanta's tallest and largest office building.

Mrs. Cocke is the former Elise Meadows, of Lowndesboro, Ala. They have a daughter, Mrs. Eugene P. Cofield, Jr., and son, Erle Cocke.

BANKING NEWS

Dr. Harold Stonier Is Named Dean and Dr. E. Sherman Adams Director of G.S.B.; Other A.B.A. Staff Changes Announced

Dr. Harold Stonier, director of The Graduate School of Banking of the American Bankers Association, was named dean of the School by the Administrative Committee of the Association in session in Chicago during the A.B.A. convention. Dr. E. Sherman Adams, assistant director of the School, was advanced to the post of director. As dean, Dr. Stonier will continue as executive officer of the G.S.B.

Henry M. Sommers, secretary and assistant general counsel of the A.B.A., was given the title of associate general counsel.

Other staff changes recommended by Executive Manager Merle E. Seleckman and approved by the Administrative Committee are:

Louis J. Asterita, deputy manager and secretary of the Instalment Credit Commission, was designated deputy manager in charge of the Commission.

James J. Saxon, assistant general counsel, Washington office, was given the additional title of assistant to the executive manager.

William Powers, deputy manager, was named secretary of the newly created Committee on Executive Development.

Melvin C. Miller, deputy manager and secretary of the Bank Management Commission, was given the additional title of convention director.

George B. Ward, assistant director of customer and personnel relations and secretary of the Committee on Service for War Veterans, was designated director of bank personnel relations.

Charles E. Betts, Jr., assistant secretary of the Country Bank Operations Commission, was made secretary of the Commission.

Mary C. Smith, long-time secretary to Gilbert T. Stephenson and a member of the Trust Division staff for several years, was named assistant secretary of the Trust Division.

Robert R. Spooner, who joined the staff of the magazine, *The Family Dollar*, early in 1954, was made circulation manager of BANKING.



Harold Stonier



E. S. Adams



H. M. Sommers



James J. Saxon



Melvin C. Miller



William Powers



Louis J. Asterita



George B. Ward



Robert R. Spooner



Charles E. Betts

Bank Robberies Set a 20-Year High in Fiscal '54-'55

"Our fiscal year ended August 31, 1955, witnessed bank burglars and bandits reaching the crest of the greatest crime wave since 1935, with 379 robberies and loot totaling \$2,128,047," said Harry F. Harrington, chairman of the A.B.A. Insurance and Protective Committee, in an article in the October *Protective Bulletin*.

"The 12-month period ended August 31, 1955, not only set a 20-year high with 379 crimes of violence, but also set new highs in both the amount of cash taken in one hold-up, \$312,000, and the number of lone bandit attacks, 201," said Mr. Harrington, who is president of the Boatmen's National Bank, St. Louis. "This means," he said, "that 7 out of every 10 holdups were committed by lone bandits, three of whom were women."

"Our statistics on crimes of violence show that there were reported during the past fiscal year 223 holdups with losses totaling \$1,954,344 and 48 frustrated holdups. In addition, there were 56 burglaries involving losses of \$169,848, five night depository thefts with \$3,855 in losses, also 39 attempted burglaries, two attempted night depository burglaries, and five attempted night depository thefts."

"During the previous fiscal year ended August 31, 1954, there were 152 bank holdups and 47 frustrated holdups, also 36 bank burglaries, and five night depository thefts. Added to these were 31 attempted burglaries, one attempted night depository burglary, and three attempted night depository thefts. Total loot of these 275 crimes amounted to \$1,276,958."

Mary C. Smith



A.B.A.'s Within-the-Bank Phase of Educational Program for Executive Development Placed on Permanent Basis

An educational program aimed at the development of people for bank executive positions, to be carried on by banks within their own organizations, was given permanent status by the Administrative Committee of the American Bankers Association during its deliberations in Chicago, when it gave its approval for a new Committee on Executive Development. William Powers, deputy manager of the A.B.A., and registrar of The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, was named secretary of the Committee. Banker members of the Committee will be appointed by President Fred F. Florence, who is president of the Republic National Bank of Dallas.

Courses in Banking

For more than a half century, banking has been unique among occupational groups in providing educational facilities through which people employed in the field can prepare themselves for advancement.

The American Institute of Banking, the educational section of the A.B.A., carries on the world's largest program of adult education. The A.B.A. also sponsors The Graduate School of Banking at Rutgers University, New Brunswick, N. J., which annually graduates more than 1,000 bankers from a three-year course of advanced study. In addition to these, there are 100 other formalized schools of banking carried on in colleges and universities in the United States.

The program on executive development was initiated several years ago when leading bankers recognized the competition that existed between banking and other business classifications for personnel capable of training for executive positions. For a number of years, a committee of bankers has been working with various educational groups and studying the training programs in banks to arrive at the essentials necessary for a within-the-bank program of executive development. These studies have been incorporated into a new bank manual on *Executive Development*, which will serve as a basis on which to launch

the new permanent educational program of the American Bankers Association.

Motor Vehicle Lien Legislation Studied by State Legislation Comm.

Interested Sponsors Met With A.B.A. Group at Chicago Meeting

The A.B.A. Committee on State Legislation has commenced a study of the lien registration provisions of the Uniform Motor Vehicle Certificate of Title and Anti-Theft Act, recently promulgated by the National Conference of Commissioners on Uniform State Laws and approved by the American Bar Association.

At the Committee's meeting in Chicago during the A.B.A. convention, representatives of the National Conference of Commissioners and of the National Auto Theft Bureau, an organization of insurance companies which is actively interested in the adoption of the act by the states, appeared at the Committee's invitation to discuss salient features of the act. Also present at the meeting were members of the A.B.A. State Legislative Council, State Association Section, and of the A.B.A. Instalment Credit Commission.

Alfred A. Buerger, co-chairman of the special committee which acted for the National Conference of Commissioners in drafting the uniform act, discussed those provisions of particular interest to banks which lend on the security of motor vehicles. Mr. Buerger, a partner in the law firm of Penney, Penney, and Buerger, Buffalo, N. Y., is a Commissioner on Uniform State Laws for the state of New York.

Anti-theft Provisions

William J. Davis, secretary and manager of the National Auto Theft Bureau, and a member of the Illinois bar, discussed the anti-theft provisions of the act, and stated that they would help to curtail losses from loans upon stolen vehicles and vehicles subject to undisclosed liens.

A.B.A. Urges Full Bank Cooperation in FRS Survey of Business Lending

President Florence Asks 2,000 Banks in Sample Group to Assist

Stressing the importance of up-to-date statistics in telling organized banking's story to the public and to Congress, the American Bankers Association is urging full cooperation by banks in the survey of business lending now being conducted by the Federal Reserve System. The Federal Reserve is asking 2,000 banks to take part in the confidential survey by giving detailed figures on their commercial and industrial loans.

The survey is the first of its type to be conducted on a nationwide basis since 1946.

Fred F. Florence, president of the A.B.A., and president, Republic National Bank of Dallas, has written the 2,000 banks in the sample group asking that they cooperate completely with the Federal Reserve and emphasizing the importance of the survey to banks.

Surveys Helpful to Banking

"Previous similar surveys have been extremely helpful to the banking industry," Mr. Florence's letter says. "The Association has found specific detailed data on lending operations indispensable for answering criticisms that banks are not filling credit needs of business. On occasion, it has proved to be an effective medium for evaluating proposed legislation which would extend powers of lending to Government agencies in competition with banks.

"However, since the last survey was conducted in 1946, the general economic picture has changed sub-

(CONTINUED ON PAGE 95)

The Committee on State Legislation has distributed copies of the act to members of the A.B.A. State Legislative Council, Instalment Credit Commission, and State Association Section for study purposes. Additional copies of the act may be obtained from the National Conference of Commissioners on Uniform State Laws, 1155 East 60th Street, Chicago 37, Ill.

A.B.A. Membership Figures Reflect Member Renewals and New Bank Enrolments

Regional, State Vice-presidents Are Praised by Chairman

"The importance of a large and loyal American Bankers Association membership has long been recognized by members of the Organization Committee," said Chairman Glen C. Mellinger in a recent statement. "It is gratifying to report the continuance of the excellent record that has been attained over the years," he added. "This is indicated by the sustained high percentage of membership and the further growth of membership totals. The significance of the current totals is enhanced somewhat by the large number of new banks that have been organized in the last year.

Year's Statistics

"During the past Association year 255 new members were enrolled. On August 31, 1955 the A.B.A. had a total membership of 17,140. In addition to over 98% of the nation's banks this figure includes 2,939 branch offices, state association secretaries, and A.I.B. chapters, as well as 181 members situated outside the Continental United States. This represents a net gain of 119 over last year's total membership. Mergers, liquidations, closings, and failure to renew account for the difference between the 255 new members and the net increase of 119 for the year.

"The strong program of activities of the A.B.A. through its various departments is appreciated by the banks of the nation. This is evident when you consider that only 38 banks failed to renew their member-



A meeting of the A.B.A. Organization Committee in Chicago during the Association's annual convention. (Except where otherwise indicated, those appearing in the picture are regional vice-presidents.) Seated, left to right, Frank L. Gardner, president, Citizens Union Bank, Rogersville, Tenn.; Chairman Mellinger; and John L. Stauber, executive vice-president, Citizens National Bank, Marshfield, Wisc., and an A.B.A. state vice-president. Standing, left to right, John B. Keeline, president, Central Trust & Savings Bank, Cherokee, Ia.; Clyde M. Goldthwaite, assistant vice-president, The Merchants National Bank of Boston; Giles H. Miller, Jr., president, The Culpeper (Va.) National Bank; W. A. Canary, cashier, The Footville (Wisc.) State Bank; and Horace S. French, president, The Manufacturers National Bank of Chicago. Unable to attend the meeting were the following members: John W. Kress, executive vice-president, The Howard Savings Institution, Newark, N. J., vice-chairman; A. G. Elam, president, Southern Commercial & Savings Bank, St. Louis, regional vice-president emeritus; J. Wesley Johnston, assistant vice-president, The Hanover Bank, New York City; M. M. Parker, executive vice-president, The First National Bank, Lebanon, Pa.; Charles W. McCoy, vice-president, The City National Bank & Trust Company, Columbus, O.; Frank W. Thomas, president, Washington (Ga.) Loan & Banking Company; W. A. Borders, president, St. Louis County National Bank, Clayton, Mo.; and Murray Kyger, executive vice-president, First National Bank, Fort Worth. Members present but not shown are J. R. Dunkerley, A.B.A. deputy manager and secretary, Organization Committee; and G. H. Gustafson, assistant secretary

ship during the past year, for one reason or another. This has been evident also at the state association conventions where our state vice-presidents bring a report of A.B.A. activities, and as they otherwise act as a liaison between the A.B.A. and the banks in their states. They are always on the alert for suggestions concerning the activities of the A.B.A."

Continuing, Mr. Mellinger, who is vice-president of The Detroit Bank, stated in part:

"The regional and state vice-presidents deserve much credit for the good record of new memberships and renewals. These men devote much time and effort to this work and I feel they have turned in an excellent job. In following up delinquencies and resignations of member banks it was necessary for them to contact personally over 300 banks. I might say that some of these situations present quite a challenge, and

it often takes two, three, or a dozen visits to convince them that they are wrong in letting their membership go.

"There were a large number of new banks organized in the past year and it has been encouraging to note that the officers of most new banks bring their banks into membership early. As a rule they are familiar with the services of the A.B.A. and know the benefits of membership. On the other hand, other banks feel the need for extreme caution in assigning expense funds for A.B.A. membership. At the present time there are 20 comparatively new banks whose officers are waiting to put away the red ink before they will allocate money for membership. It is particularly helpful when members of the A.B.A. official family show a personal interest in these new banks and speak about the mutual benefits of membership in their national organization."

BANKING'S NEW WRAPPER

BEGINNING with its January 1956 issue, BANKING will travel to its readers in an attractive kraft wrapper instead of an envelope.

The new flat wrap-around was designed and tested to provide a maximum of protection to each copy as it goes through the mails.

Cooperation in FRS Survey

(CONTINUED FROM PAGE 93)

stantially; and the lending operations of banks have also experienced a broad change," the letter points out. "We know that the total amount of commercial and industrial loans has doubled, but it is essential that we learn more about the details of this remarkable growth and the constructive job of lending now being done by the banks. A survey such as the one contemplated is the only way of obtaining this information so that the story can be told to the public, and—even more significantly—to the Congress. I cannot emphasize this latter point too strongly."

Bearing out Mr. Florence's statements is the fact that last spring, in testifying before Senate and House Subcommittees considering extension of the Small Business Ad-

ministration, representatives of the A.B.A. were forced to use figures from the 1946 survey in their testimony since no more recent data was available.

"In view of these considerations," the letter continues, "you will readily appreciate why the Association is squarely behind the Federal Reserve banks in conducting the survey. Several months have already been devoted to careful planning of the survey so as to reduce the work of reporting by the respondent banks to a minimum consistent with the objective of obtaining accurate and useful information.

"To be representative, a sample survey such as this requires that every bank selected should participate in the survey and should complete the survey form carefully and completely. Otherwise, the validity of the overall data derived from the survey might be subject to question."

Draft of Lloyd's Blanket Bond Form Approved

The Insurance and Protective Committee of the American Bankers Association has approved a proposed draft of the 1955 Lloyd's bankers blanket bond form HAN-C, according to Harry F. Harrington, chairman of the Committee, and president, The Boatmen's National Bank, St. Louis. The new form approved today is the result of months of negotiation between the A.B.A. Committee and Lloyd's underwriters.

The draft is being submitted for final approval to the Committee of the Non-Marine Association at Lloyd's. It incorporates many features previously available by endorsement as well as additional improvements.

Why is it that the wrong number on the telephone is never busy?

News for Instalment Credit Men

Items and Comment from Our Instalment Credit Commission and Other Sources

Tighten Creditworthiness; Not the Good Credit Risk

"THERE is no need to tighten good credit risks, but it might be well to tighten up on the definition of 'creditworthiness.'" So says the newest issue of *Timely Notes on Instalment Credit*, issued recently by the A.B.A. Instalment Credit Commission. "Controlled flexibility," says the publication, "appears to be the sound policy to follow, and relaxation of terms to meet unsound competition should be guarded against."

Timely Notes is published from time to time by the Commission whenever it seems desirable to do so. This issue was mailed to all executive officers of banks, heads of instalment loan departments, and others interested in the field.

"In the opinion of the A.B.A. Instalment Credit Commission," says this issue, "there is nothing wrong with the instalment credit picture that reasonable self-restraint and careful selection of credit risks will not remedy. Furthermore, credit policies and terms should be intelli-

gently determined after considering all the factors involved. In evaluating the borrower's or purchaser's standard of acceptability, the emphasis should be on the following five broad characteristics:

"(1) Character evaluation—excellent moral risk of primary importance.

"(2) Vocational—stability of employment; earning capacity.

"(3) Financial—ability and willingness to pay.

"(4) Personal—stability of residence; marital status; number of dependents.

"(5) Loan characteristic—purpose; terms and collateral, if any.

"Lending policies should be geared to the ability and willingness of the borrower to pay and to making certain that *adequate or sufficient true equity exists* in any merchandise purchased."

Getting down to a specific field—automobiles—*Timely Notes* points out that "during the past six months or so, the trend has been to 'stretch' out the terms on automobile financing on new cars. While long maturities may be justified on the basis of carefully selected purchases, par-

ticularly with respect to direct bank automobile loans, such selectivity is not always possible when a dealer operation is involved.

"Whether extended maturities on new-car financing is sound is problematical. This factor will depend on the experience in the next year or so. As a matter of fact, new-car terms appear to be settling down to around 1/3 down-payment and 30 months to pay. But true equity related to the collateral value is of primary importance.

"... In an attempt to arrive at true equities, the practice of the more experienced bank instalment loan operators and many of the finance companies is to adhere strictly to advances of 85% to 95% of the dealer's costs or factory invoice. The factory invoice seems to be the one stable item in the confused and chaotic price structure. When wholesale floor planning is involved, this does not present a problem for the lending bank, inasmuch as prices can be checked easily with invoices.

"A continued flow of instalment credit on a sound, constructive, and sensible basis will help maintain our economy on a high level. At the

same time, all pressures to extend instalment credit on excessively liberal terms should be resisted. Our major responsibilities as bankers are to advise and to guide our customers and our communities in the sound use of instalment credit to the end that people maintain their credit and personal finances on a sound basis."

Quality: Not Quantity

AN increasing emphasis on quality over quantity was called for by Louis J. Asterita, deputy manager in charge of A.B.A. Instalment Credit Commission, in an address to the Instalment Credit Conference of the Massachusetts Bankers Association at Worcester on October 5.

"For some while," said Mr. Asterita, "the American Bankers Association, through its Instalment Credit Commission, has been urging bank lenders to do a better screening job on instalment loans and to improve the quality of this credit. We advised against overcommitments and excesses which could lead to collection problems and instalment credit indigestion for both the borrower and the lender.

"I am pleased to report that in many areas there has been a moderate cut-back in credit terms. In fact, new automobile terms, which were creating the greatest havoc, seem to be settling down to around 30% down and 30 months maximum maturity.

"There is no doubt that you will be exposed to severe pressures from auto dealers and manufacturers to extend instalment credit on more liberal terms so that more goods can be produced and sold. True, easier credit terms will move some of the durable goods, but the question is—will they stay sold? During the past month or so there has been a noticeable effect on the expansion of instalment credit through the contraction of 'wild terms' offered by lenders earlier this year. This restraint is taking place in area after area and is a healthy development to say the least. A continuation of a selective and flexible credit policy coupled with a policy of self-restraint is sincerely recommended. At the same time, in order to help maintain our economy at a high level, we should continue the flow of instalment credit on a sound, constructive, and sensible basis."



To finance a major gift for the home (refrigerator, range, washing machine, clothes drier—whatever gleaming modern unit of helpful household equipment you want), see us about a low-cost bank Appliance Loan. "No red tape, no delay... many months to repay."

Make it soon, too, we suggest—there aren't many shopping days left 'til Christmas!

G-1362

The A.B.A. Advertising Department prepared this ad for banks interested in cooperating with "Operation Snowflake," U. S. Steel's big promotion of "white goods"

In an address to the Instalment Credit Conference of the Virginia Bankers Association at Richmond on October 12, Mr. Asterita elaborated on this theme. "It is the responsibility of banks and other lenders," he declared, "to counsel with and guide our customers in the use of instalment credit. Concentrate on quality—not quantity. We should discourage individuals from going too far into debt and we should carefully analyze each loan made. The present situation in our economy requires a sense of social responsibility on the part of those who shape credit policies in our banks. . . .

"The unprecedented growth of instalment credit during this year is but a part of a general expansion of credit. This expansion has set into motion a series of cumulative forces that should soon correct any excesses in the instalment credit situation and quickly shake out any substandard paper. Monetary restraints have tightened money. Full portfolios are discouraging easy terms. There is every evidence of terms turning more conservative and credits being screened closely. In the year ahead there may be further expansion in total instalment credit, if the present level of the economy is maintained, but the quality of the paper purchased and loans made will improve.

"A continuation of restraint and vigilance now will afford you the maximum in protection, and will assure a service to the community in which your bank operates and do so profitably."

NRDGA's New Book Out

THE Credit Management Division of the National Retail Dry Goods Association has published its annual Credit Management Year Book (1955-1956). The volume is compiled by A. Leonidas Trotta, manager and research director of the Credit Management Division.

The book contains 38 chapters, including sections on sales promotion, credit management, expense control, research and operating statistics, new credit techniques, collections, instalment credit, executive development.

The current year book is of "particular significance" at this time, according to Mr. Trotta. He called attention to the important role of retail credit in today's economy, and to wide management interest in credit techniques.

Personal Debt Poses Threat

THE high level of personal debt poses a threat to the nation's future prosperity, according to a New York University economist.

Dr. Jules Backman, professor of economics at the University's School of Commerce, Accounts, and Finance, says that "further increases in debt should not be viewed with equanimity."

Dr. Backman says that "in the past, excessive expansion of credit has tended to characterize periods of boom and created problems which contributed to subsequent recessions and depressions."

Consumer credit and mortgage debt have increased, he asserted, to a point where the "figures are enormous even when allowance is made for the price inflation of the past decade . . ."

Even though consumers may be in a position to carry the debt and to repay it in full, Dr. Backman feels "there may still be adverse effects on the future level of business activity because of rapidly expanding debt."

He warned: "We cannot continue to spend more than we earn indefinitely."

News for Trustmen

Items and Comment from Our Trust Division and Other Sources

See "Unlimited Expansion" for Trusts in Near Future

THE next five years will be a period of almost unlimited opportunity for expansion of trust business, both in the number of accounts and in dollar volume. With certain qualifying reservations, this was the consensus of four former presidents of the Trust Division, as expressed at the Division's annual meeting at the A.B.A. convention.

The speakers included: H. M. Bardt, vice-president and senior trust officer, Bank of America N.T. & S.A., San Francisco; Joseph W. White, vice-president, Mercantile Trust Company, St. Louis; N. Baxter Maddox, vice-president and trust officer, The First National Bank of Atlanta; and John W. Remington, president, Lincoln Rochester Trust Company, Rochester, N. Y. Each gave a 10-minute talk on "Trust Business in 1955—a Report and a Prediction," as representative trustmen from the four major geographical divisions of the country.

Mr. Bardt, Far West

"The current economic prosperity is, of course, the basic reason for the healthy condition of the trust business in 1955. However, the recognition that trust service is useful to all persons regardless of the sizes of their respective estates was a major contributing factor. This has strengthened the foundations of the trust business so that it is less susceptible to the dangerous forces of retrogressing economic cycles, whether they be recessions or depressions.

"There is another and even more important recent development contributing to the present excellent condition of the trust business. It is the recognition that a trust administered by a corporate trustee is the most economical and effective vehicle for pension, profit-sharing, thrift, and welfare plans. The number of such plans presently managed by trust institutions is very substantial. Moreover, the prospective rate of growth of this business is phenomenal."

Mr. White, Middle West

Mr. White's report on conditions for the trust business in the Middle West quoted from a survey made among banks in his territory which showed that trust business is growing and expanding rapidly over the entire area. With reference to predictions for growth in the future, Mr. White said that he agrees with his correspondents who predict that a major portion of growth may still lie ahead. He did add a note of caution, however: "Let us not allow ourselves to be lulled into false security in this era of inflation..."

Mr. Maddox, South

"Every trust department I contacted reported very substantial increases in both personal and corporate trust business..."

In some instances, increases of more than 500% were reported over the past five years. . . . The growth in trust business in the South in recent years has surpassed our greatest expectations. Of even greater importance is the fact that our acceptance by the public at large is on the soundest footing ever."

(Mr. Maddox and Mr. White both touched upon the personnel problem of trust departments in competing with industry for promising young executives.)

Mr. Remington, East

"With the aid of those trustmen who were willing to help in outlining trust trends in the East, we learn that:

"(1) The population trend is very favorable, and wealth is being created steadily.

"(2) There will be a great expansion in the area of services to employers; i.e., pension and profit-sharing plans and guaranteed annual wage agreements.

"(3) The handling of business interests, whether sole proprietorships, close corporation, or partnership interests, will be an important phase of trust department work.

"(4) The number of investment management accounts will continue to increase rapidly.

"(5) Estate planning in cooperation with attorneys, insurance men, and accountants will prove of increasing importance to customers and banks.

"(6) Many trusts which terminate can be transferred into new trusts or agencies.

"(7) Insurance trusts are slated for renewed interest.

"(8) The 'old-fashioned' executor and trustee business, at fair and profitable fees, can be increased tremendously.

"The next five years should be years in which the trust business in the East matures greatly."

Trust Business Challenge Is Reaching Mass Market

"THE real challenge to the trust world today is how to reach the so-called mass market," according to George C. Barclay, vice-president of City Bank Farmers Trust Company, New York.

Speaking as retiring president of the Trust Division at the annual A.B.A. convention, Mr. Barclay said that "we thought we had made a good beginning when common trust funds were authorized. I am sure that the developments in the common trust field over the past 20 years have been of enormous benefit, not only to the banks but to persons with moderate accumulations of wealth; and yet it has turned out that common trust funds have proved rather more expensive and difficult to operate, at least in the case of the smaller institutions, than had been anticipated."

Mr. Barclay declared that "ways and means must be found to expand our services to the great mass of people of moderate means. One may very well be through the use of a mechanism similar to the Bank Fiduciary Fund recently established in New York, of which you have heard a great deal and will hear

more. I certainly hope that over the next few years we will move nearer to a solution of this very important problem."

Next Mr. Barclay explored the "variable annuity." "A variable annuity," he explained, "is one where the agreement of the insurer is not to pay dollars but is to pay out the value of units of the annuity fund as such value may be ascertained on the dates specified for payments. This, of course, would establish annuities of a fluctuating nature, which it is anticipated would permit the annuitant to receive funds in amounts varying with changes in the purchasing power of the dollar, and hence in the cost of living. A fixed number of dollars invested periodically would buy a varying number of units depending upon the market value of the fund. The mechanics of operating the reserve fund would be very similar to those of maintaining a common trust fund.

"Some trustmen were of the opinion that a problem of competition either in the personal trust field or the employee benefit trust field or both might arise if variable annuities were authorized. I do not think," Mr. Barclay added, "that the trust departments of the country need fear any fair competition by the insurance industry."

"Retail, Not Wholesale," Selecman Calls Trusts

LIKE banking, the trust business is now retail—not wholesale, and as

such has undergone a "significant change," according to Merle E. Selecman, executive manager of the American Bankers Association. In an address to the recent Western Regional Trust Conference in San Francisco, Mr. Selecman strengthened this assertion:

"A survey we are currently making in the Trust Division significantly points up this trend. Preliminary figures indicate that almost half of all the trusts administered by trust institutions in this country have an annual income of less than \$1,200. Almost two-thirds of the trusts in the care of trust institutions have an annual income of less than \$3,000. No longer are trust institutions the exclusive servants of the wealthy. . . . You have more customers and potential customers than you ever had in the history of the trust business."

The nature and character of property owned has also undergone significant change, Mr. Selecman pointed out. He cited the tremendous increase in life insurance outstanding; the widespread and increasing ownership of equities; Savings Bonds; the 25,000 private retirement plans (up from 110 only 25 years ago); investment trusts.

"Just what," he asked, "do all of these changes mean to you in the trust business? It seems to me you ought to take a fresh look—and a careful one—at who your potential customers are and what they own. Maybe your sales approach and your public relations are out of step with

what you find. Maybe your type of service and your trust administration will need some overhauling. Maybe your top policy officers of your bank—and your directors—don't realize the significance of these changes to the trust business. If not, it's your duty to see that they do know."

Mid-Winter Trust Meet in New York, Feb. 6-8

TRUST executives from banks all over the United States will meet in New York next February 6, 7, and 8 to appraise the domestic and international economic picture and its effect on the trust business. The trustmen will attend the 37th Mid-Winter Trust Conference of the American Bankers Association, to be held in The Waldorf-Astoria.

Plans for the conference, which will be sponsored by the A.B.A. Trust Division, were announced by Richard P. Chapman, president of the Division, and president, The Merchants National Bank of Boston, Boston, Mass.

The Mid-Winter Trust Conference annually attracts about 2,000 trust and bank executives. During the three days, the conference will hear addresses by men of nationwide reputation in such fields as economics, law, politics, and world affairs. These speeches will form the background for discussions of internal trust operations and administrative and management problems.

News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

"Conservative Optimism"

"LAST year Congress authorized 'open-end' clauses for FHA loans. It attached an important proviso, however, that such readvances of principal could be used only for purposes of home repair, modernization, and improvement. This is most important, for when 'open-end' advances are restricted to this purpose, and are wisely and properly made, we cannot see any harm in its use. It may become a very important factor in financing home

modernization programs of the future, but, of course, should not be considered as a substitute for serving the same needs as consumer credit," Joseph R. Jones, president of the Savings and Mortgage Division of the A.B.A., said in his address before the Division's annual meeting in Chicago last month. Mr. Jones is vice-president of the Security-First National Bank of Los Angeles.

"Personally, I feel that the recent restrictions of FHA and the Veterans Administration as to down-

payment and maturity were very timely," Mr. Jones said.

Continuing, he said "there are many who have pointed to the great increase in mortgage debt over the past 10 years and what it might mean to us in the future. Total mortgage debt on one- to four-unit structures stood at \$18½-billion on December 31, 1945. On June 30, 1954, this figure had increased to \$70-billion. In the next year, up to June 30, 1955, it had increased to \$82.8-billion.

"I asked the research department

of our bank to make a study of this type of mortgage debt and its relation to disposable personal income. The figures from the U. S. Department of Commerce and the Federal Home Loan Bank Board showed that mortgage debt on 1- to 4-unit housing as a percentage of disposable income reached a high point in 1932, at the bottom of the depression, at 34.32%. This dropped to a low point of 12.23% in 1944 during the war period. It has risen constantly since that time until it showed at the end of 1954 a 29.48% ratio, which is the highest figure of any period since the year 1932. I think these figures emphasize rather strongly the fact that it is indeed a time for 'conservative optimism.' We must continue to supply credit needed for all sound transactions, but at the same time we must use our best judgment not to provide unwarranted or unwise credit which would, without question, lead to very inflationary tendencies and perhaps a serious future readjustment. Banks must not exhaust their loanable funds, but should hold sufficient in reserve to satisfy all legitimate demand in the future. The attraction of fees to be earned in a wide-open program now cannot offset the healthy condition for all in the future that will result from temperate, sound policies today."

Foreclosure Activity Level

THE level of foreclosure activity continued slightly upward during the second quarter of 1955. Esti-

mated nonfarm foreclosure cases for April, May, and June totaled 7,765—10% above those for the previous quarter and 14% ahead of the similar 1954 interval. The chart on this page illustrates nonfarm-real-estate foreclosure trends since 1945.

Bowery Savings Gets First Insured Urban Renewal OK

THE City of New York has obtained the first approval by FHA to insure a large slum clearance project under the "urban renewal" plan created by the Housing Act of 1954. It is a commitment to insure a loan by the Bowery Savings Bank to a private construction company in the amount of \$6,438,000. Under the terms of the "urban renewal" program the city acquires sites for housing and other redevelopment purposes, selling them to private builders at a loss, of which the Federal Government will pay 66 2/3%. While this is the first "urban renewal" loan insured by FHA it is the forerunner of many such future projects not only in New York but throughout the country to clear slums and avoid the development of blighted areas.

Under the terms of the "urban renewal" program provided by Section 220 of Title II of the National Housing Act the Government will insure 90% of the mortgage loan. The present advance will cover the first three of eight 16-story buildings planned for the Harlem area in New York City. The entire proj-

New Housing Starts

A COMPARISON of new permanent nonfarm dwelling units started in the first nine months of 1954 and 1955:

	1954	1955
January	66,400	88,000
February	75,200	90,000
March	92,200	117,000
April	108,000	127,000
May	108,500	132,000
June	116,500	129,000
July	116,000	115,000
August	114,300	123,000
September	115,700	113,000

The seasonally adjusted annual rate for private starts in 1955 is estimated at 1,230,000, according to the U. S. Department of Labor's Bureau of Labor Statistics.

ect will ultimately cost \$16,500,000, with funds being advanced as the work progresses.

The proposed structures will contain 768 apartments of two, three and four rooms, each with monthly rentals averaging \$32 per room. It is expected to be completed in about three and one half years.

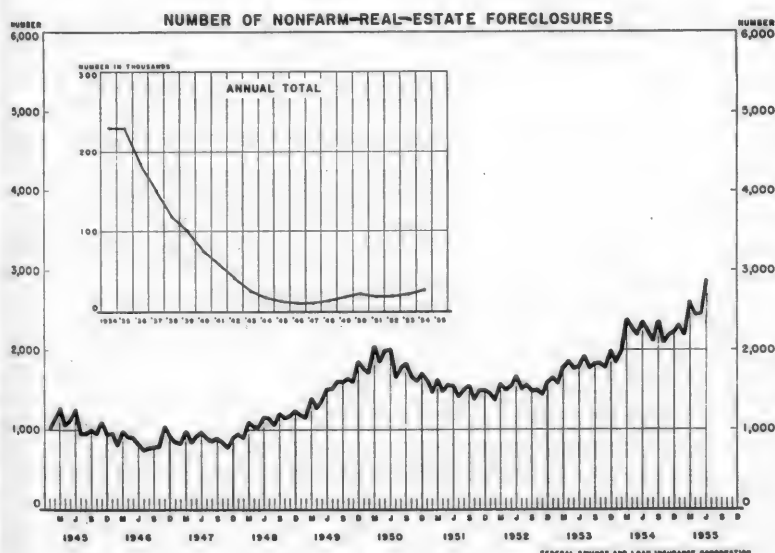
Home Financing Figures

ALTHOUGH home financing activity in July declined 7% from the previous month, the volume of \$2,463,000,000 of nonfarm mortgages of \$20,000 or less recorded was 22% above July 1954.

All types of lenders invested less in home mortgages in July than in June. The smallest decline was registered by mutual savings banks—2%; commercial banks activity was down 8%; savings and loan associations and insurance companies recordings declined 7%.

National Housing Act and Servicemen's Act Summary

REVISION of its booklet, *Summary of the National Housing Act and Servicemen's Readjustment Act*, has been made by the A.B.A. Savings and Mortgage Division. This publication contains a digest of the terms and conditions relating to FHA and VA mortgage loans.



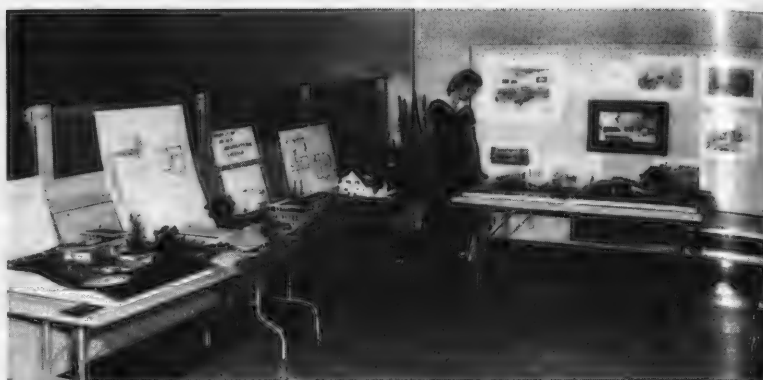
It incorporates the new regulations for both FHA and VA loans which became effective during the summer, and the changes which resulted from the passage of the Housing Act Amendments of 1955.

While intended to provide a ready reference on FHA and VA mortgage loans, it is not intended to replace the act and regulations themselves where knowledge of exact details is essential.

A copy of the *Summary* has been mailed to all bank mortgage officers. Additional copies may be obtained by member banks at a nominal cost.

Home Improvement Centers

DURING 1956, the building and home equipment industries, financing institutions, and local community groups will be encouraged to cooperate in a program of home improvement which is being sponsored by the Chamber of Commerce of the United States in cooperation with manufacturers and trade associations (p. 45 October BANKING). The program designated as "Operation Home Improvement" was reviewed by John R. Doscher, its executive director, at the annual meeting of



Currently on display in the lobby of the Oakland Main office of Anglo California National Bank are these model homes designed and built by students of Heald Engineering College in San Francisco. The six miniature replicas were executed by junior and senior architectural engineering students to a scale of one-fourth inch to the foot. All but one of the model homes are of contemporary and modern ranch house design and each is backed by a detailed floor plan drawing. Two of the students participating in the display have studied with Frank Lloyd Wright, the world-famous architect. Barbara Poe, of the Oakland Main office consumer loan department, acts as Anglo hostess

the Savings and Mortgage Division of the American Bankers Association in Chicago. Mr. Doscher is on loan for a year from his position as assistant to the publisher of *Life*.

"It is planned," he said, "that merchants, building supply and home

appliance businesses, banking and other financing institutions, and other interested elements in towns and cities establish a home improvement center at which home owners can secure information and advice as to materials and their use."

News on Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

Militancy in Selling Savings Called for by Joseph R. Jones

THERE is great need of a bank savings account in almost everyone's plan for some reserve for the future and for a possible emergency, Joseph R. Jones, president of the A.B.A. Savings and Mortgage Division, said at the Division's meeting in Chicago during the Association's annual convention.

"This is the message," he said, "that I think banks should carry to the public in the most direct and forceful way that can be devised. Banks have notoriously been conservative and not given to flamboyant advertising or claims. Their voice has often been lost in the clamor of the more vocal agencies using every possible device in seeking the savings of the people. I believe we have been too conservative

and in the future should be more militant in telling the people the real service and advantages that banks have to offer."

Continuing, Mr. Jones stated: "I think that an increasing number of banks have made great strides in assuming their full responsibilities in the field of savings during the past few years. We are extremely hopeful that this program will continue to develop and expand. There is a very real obligation to the public in this field which we must discharge in a dignified and proper way.

"The creation of savings is very important to protect the individual against contingencies and at the same time is a weapon against inflation. But it also serves another function of great importance. With

a very active and expanding economy such as we have today, great reservoirs of savings are needed to supply the funds for certain types of long-term investments. We have seen in one or two instances in the past how the economy is disturbed when these funds are not available. All indications are that this demand for savings will continue to be so substantial that it will need the accumulations of all those who seek funds of this type."

"We must not forget that A.B.A. is the only spokesman for all of the banks," he said. "If you are requested to support or contribute funds to some agency or work in behalf of banks, it would be most prudent to investigate who they are, and if they propose to do work already being done by A.B.A. The

Savings and Mortgage Division has a very broad and inclusive program. It tries to provide every possible assistance to banks in the fields of savings promotion, mortgage lending, other investments, and for the improvement of operations in all these fields. It has a real challenge to convince the public of the wisdom of carrying a savings account in a bank as a personal reserve, as a weapon against inflation, and as a support to the active economy of today. To accomplish this, it must explain the differences between true savings in a bank, and investments in stock and shares. We must tell the people of the services and advantages which a bank offers. Finally, we must be sure that banking is properly represented before Congress, not to gain selfish advantage, but to be certain that the true effects and impact of proposed legislation are known to our legislators before it is enacted, so that long-range benefits will accrue to all.

"Gentlemen, this is a tremendous task. It will never be accomplished by a few committeemen and the staff. It requires a real and active interest by us all. Let us shed any mantle of apathy, and bend our backs to the real task of being certain that banks serve the public in full measure in their proper fields. In accomplishing this, we will help the banking industry and the country at large toward even greater prosperity than we have been privileged to enjoy in the past."

Three Savings Certificates

For the first time, The Citizens State Bank of Park Ridge, Ill., is offering a savings certificate plan. The bank has devised three different types of savings certificates, each having distinctive features which will permit one or all of them to fit into practically any savings program. The certificates in all three plans may be written in denominations of \$100, \$500, and \$1,000. Certificates held to maturity will earn interest at $2\frac{1}{2}\%$ yearly from date of issue. All three series mature in three years.

Series A certificates do not provide for semiannual interest payments to the depositor as the interest is added to the amount deposited and is paid when the certificate is redeemed.

On Series B certificates interest is paid by check in amounts that increase each semiannual period up to the maturity date.

On Series C certificates interest is paid semiannually by check at an annual rate of $2\frac{1}{2}\%$. If redeemed before maturity, the redemption value will be reduced so that the return to the depositor will be the same as on Series A and Series B certificates.

Split Dividend Rate OK'd

At the annual convention of the Savings Banks Association of New York, held in Washington, D. C., the Superintendent of Banks of the State of New York, George A. Mooney, gave an address in which he urged savings banks to consider a split dividend rate on savings deposits. He stated that split rates can reward the diligent saver as contrasted to the customer who uses a savings account as if it were a checking account.

He used the New York Savings Bank in New York City as an illustration in which this bank is paying $2\frac{3}{4}\%$ on all deposits plus a $\frac{1}{4}\%$ extra on savings that have been in the bank for a year or longer.

Bank Competition Active in School Savings

"It is encouraging to report that many banks are currently considering the installation of a School Savings program," said Millicent A. Trichler while speaking on "School Savings" at the National Association of Bank Women's convention in Phoenix. She quickly added, however, that "school bank installations are not keeping pace with the active interest evidenced by the school authorities." Miss Trichler is assistant secretary of the Dollar Savings Bank of the City of New York and chairman, Committee on School Savings Banking of the American Bankers Association.

"One of the largest school savings service companies," she said, "whose function it is to develop school savings systems acceptable to the schools, reports that 80% of all its contracts during the past year have been negotiated with savings and loan associations.

"It is unfortunate that most bankers regard school savings as a

bank service too costly to maintain. As a consequence, they fail to recognize its tremendous advertising potential as well as all of its other values. The utilization of electronics for bank transactions and computations and its attendant reduction in operational costs provide a possibility that their objection may eventually be dissipated. However, there is also the possibility that in the meantime our competitors will have monopolized the school savings field.

"To bankers with little or no comprehension of the inherent values of the school savings program, the possibility of a monopoly of school savings by competitors is not alarming. Yet many of these same bankers are giving serious thought to the impact on the banking system of the existing competition for the savings dollar. They know that as pressure to get people to spend increases the margin left for savings tends to shrink. They know also that it is highly important that programs be devised to insure a constant flow of the savings dollars so vital to our banks and to our economy. Is it fanciful to assume that school savings banking can be an integral part of these programs? . . .

"Money is part of the equipment of life and children must learn to use it at an early age. The importance of this knowledge is intensified if it is gained in their workshop—the school. For this reason, most educators have accepted the school savings program. . . .

People—Big, Little, Old, Young

"Our business is people, big, little, young and old. Our promotional activities should be directed toward attracting a continuous flow of new people to our institutions. Without this flow of new strength and new personalities our organizations will become less vital. . . .

"The children of today are vital to our plans for the future. Their tastes, ideas, and attitudes are being molded now, in their most impressionable years. These children will shape the economic and social structure of America. They will man our industries and run our Government. It is highly important that they are provided with a good program of thrift education and a knowledge of the part banks are playing in our economic system.

School savings banking offers the medium through which this objective can be accomplished. . . ."

Treasury Outsell Banks

IN selling itself as a savings medium, the U. S. Treasury Department seems to be far ahead of savings banks and life insurance, according to a University of Illinois study.

Consumer attitudes toward savings, revealed in a survey of some 600 families made by the University in Decatur, Ill., show that the public is more concerned with guaranteed return of principal invested than with the possible decline of purchasing power through inflation.

Sixty percent of the families considered safety of principal most important in investment of savings; more than half (55%) said Govern-

ment bonds were safest; only 7% thought life insurance safest for savings; about one-third considered Government bonds "best" for return—over real estate, savings banks, life insurance, and corporate securities; more than 15% of the families had no life insurance on any members of the family; another 7% had less than \$1,000.

Fifty percent of the families had \$10,000 or more in life insurance.

CALENDAR

American Bankers Association

Nov.	3-4	Midcontinent Trust Conference, Rice Hotel, Houston
Nov.	16-17	Western Secretaries Conference, Biltmore Hotel, Phoenix, Arizona
Dec.	1-3	Agricultural Credit Conference, Morrison Hotel, Chicago
Dec.	4-6	Southern Secretaries Conference, Williamsburg Inn, Williamsburg, Va.

1956

Jan.	16-18	Nat'l Credit Conf., Conrad Hilton Hotel, Chicago
*Jan.	24-25	Eastern Secretaries Conference, Commodore Hotel, N. Y. C.
Jan.	30-31	Regional Svcs. & Mortgage Conf., Muehlebach Hotel, Kansas City
Feb.	3	Graduate School of Banking Faculty Conference, Sheraton-Astor Hotel, N. Y. C.
Feb.	6-8	Midwinter Trust Conf., Waldorf Astoria, N. Y. C.
Mar.	5	Nat'l School Svcs. Forum, Statler Hotel, N. Y. C.
Mar.	5-7	Savings & Mortgage Conf., Statler Hotel, N. Y. C.
Mar.	19-21	Instalment Credit Conf., Jefferson Hotel, St. Louis, Mo.
Apr.	22-24	Executive Council, Spring Meeting, The Greenbrier, White Sulphur Springs, W. Va.
June	4-8	American Institute of Banking, Adolphus Hotel, Dallas
June	11-23	The Graduate School of Banking, Rutgers University, New Brunswick, N. J.
Oct.	21-24	82nd Annual Convention, Los Angeles, Calif.

State Associations

Nov.	17-19	Arizona, Biltmore Hotel, Phoenix
1956		
Apr.	10-12	Georgia, General Oglethorpe, Savannah
Apr.	12-14	Florida, Hollywood Beach Hotel, Hollywood
Apr.	20-21	Nevada, Thunderbird Hotel, Las Vegas
Apr.	22-24	Louisiana, Roosevelt Hotel, New Orleans
May	2-5	Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.
May	3-4	Oklahoma, Skirvin Hotel, Oklahoma City
May	3-5	South Carolina, Poinsett Hotel, Greenville
May	8-10	Ohio 7, Deshler-Hilton Hotel, Columbus
May	9-11	Kansas, Topeka
May	10	Delaware, Du Pont Hotel, Wilmington
May	11-15	Maryland, Claridge Hotel, Atlantic City, N. J.
May	13-15	Missouri, Jefferson Hotel, St. Louis

* Correction—Last month, meeting place was erroneously listed as Williamsburg Inn, Williamsburg, Va.

May	13-15	Texas, Statler-Hilton, Dallas
May	16-17	Indiana, Claypool Hotel, Indianapolis
May	18-19	New Mexico, Hilton Hotel, Albuquerque
May	18-19	North Dakota, Plainsman Hotel, Williston
May	19-26	North Carolina, Cruise to Havana & Nassau, SS Queen of Bermuda
May	20-22	California, Coronado Hotel, Coronado
May	21-23	Arkansas, Arlington Hotel, Hot Springs
May	21-22	Colorado, Broadmoor Hotel, Colorado Springs
May	21-23	Mississippi, Buena Vista Hotel, Biloxi
May	23-25	New Jersey, Chalfonte-Haddon Hall, Atlantic City
June	1-2	Connecticut, Equinox House, Manchester, Vt.
June	4-6	Illinois, Palmer House, Chicago
June	6-10	Dist. of Col., The Homestead Hotel, Hot Springs, Va.
June	7-9	Massachusetts, New Ocean House, Swampscott
June	8-9	New Hampshire, Wentworth-by-the-Sea, Portsmouth
June	8-9	Washington, Olympic Hotel, Seattle
June	10-12	Idaho, The Lodge, Sun Valley
June	11-13	Minnesota, Nicollet Hotel, Minneapolis
June	13-15	New York, Essex & Sussex, and Monmouth Hotels, Spring Lake, N. J.
June	14-16	Wyoming, Jackson Lake Lodge, Moran
June	15-16	Vermont, Equinox House, Manchester
June	17-19	Oregon, Pilot Butte Inn, Bend
June	18-19	Utah, Jackson Lake Lodge, Moran, Wyo.
June	18-20	Wisconsin, Schroeder Hotel, Milwaukee
June	21-23	Montana, Many Glacier Hotel, Glacier National Park
June	21-23	Virginia, The Homestead, Hot Springs
June	21-24	Michigan, Grand Hotel, Mackinac Island
June	22-23	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June	22-24	Maine, Poland Spring House, Poland Spring
July	19-21	West Virginia, The Greenbrier Hotel, White Sulphur Springs
Oct.	12-13	New Hampshire, Fall Meeting, Mountain View House, Whitefield
Oct.	28-31	Iowa, Fort Des Moines, Des Moines

Other Organizations


Oct. 31-	Mortgage Bankers Assn. of America, Statler and Biltmore Hotels, Los Angeles, Calif.
Nov. 3	
Nov. 13-16	Robert Morris Associates, Dallas, Texas
Nov. 14-18	Financial Public Relations Association, Hollywood Beach Hotel, Hollywood Fla.

1956

Mar.	26-28	Independent Bankers Assn., Jung Hotel, New Orleans, La.
Sept.	17-20	National Association of Bank Auditors and Comptrollers, The Shoreham Hotel, Washington, D. C.

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While you were drinking
your second cup of coffee
last evening...

Continental Illinois' night staff processed 7500 cash items

How long did you linger over your
second cup last evening?

Let's say 15 minutes.

In that brief time, the Continental Illi-
nois processed about 7500 cash items.

Such speed has a real point.

It means earliest possible presentation.

It explains why many a check mailed to us in
the afternoon by banks from coast to coast be-
comes available funds the *following morning*.

We think that's *service*. We think it's
service that explains why our several thousand
correspondents agree so heartily that the Con-
tinental Illinois is the "banker's bank."

CONTINENTAL ILLINOIS NATIONAL BANK
and Trust Company of Chicago

LOCK BOX H CHICAGO 90
Member Federal Deposit Insurance Corporation

Bank Women Explore Five Management Problems

A.B.A. President Fred F. Florence Discusses Bank Women's Prospects for Advancing to Executive Positions

MARY B. LEACH

"The purpose of the National Association of Bank Women is to bring together women executives engaged in the profession of banking for mutual exchange of ideas and experiences in order that practical benefits may be derived therefrom"—so reads Article II, Sec. 1 of the NABW's constitution.

THE 350 bank women attending the 33rd annual convention of the National Association of Bank Women at the Westward Ho Hotel in Phoenix last month lived up to the spirit and the letter of their constitution.

Convention speakers included Fred F. Florence, president of the American Bankers Association; the Hon. J. Howard Pyle, Deputy Administrative Assistant to President Eisenhower; Alice K. Leopold, Assistant to the Secretary of Labor in Charge of Women's Affairs; Cora I. Blanchard, retiring NABW president; and Virginia A. Rehme, incoming president of the association.

Miss Blanchard, who is assistant treasurer of the Suffolk Savings Bank for Seamen and Others, Boston, spoke of the concern she and other leaders of NABW had felt because little or no mention had been made of training women bankers for executive positions in discussions of executive training programs now being developed. In this connection, she expressed gratitude for the fact that some of the regional schools of banking are opening their doors to women bank executives.

Source of Management Personnel

"The very magnitude of the figures on women employed in banking suggests that here is a logical and fruitful reservoir from which re-

sponsible management personnel can and should be developed," said Mr. Florence when speaking of the gains already made by bank women.

While speaking of the objections generally raised to elevating women to officer status, Mr. Florence said:

"We all know of women who have made outstanding contributions to their banks and to banking. . . . Personally, I believe that the time has arrived for an open and frank discussion of why many bankers and other business leaders still hesitate to advance women to executive positions. We should clear away the old 'bogies' that no longer apply, while at the same time valid objections should be faced squarely both by you ladies and by bank management. . . ."

Two Factors Operating

"Two factors have been operating to impel bankers to change their minds and to assume the extra risk. First, there is the obvious fact that it is difficult to operate a business in which two-thirds of the non-officer group are women, while almost all of its officers are male.

The second and more significant factor is the cumulative influence of those women who have succeeded in positions of responsibility in spite of the handicap of traditional prejudice. The careers of these women provide ample evidence that talent is there if it can be successfully tapped."

Continuing, Mr. Florence said that "those of you who have already received recognition by having been placed in positions of responsibility can and should be alert to encourage and guide young women who may be looking ahead to careers in banking. You can explain to them the importance of preparation for advancement through conscientious performance on their existing jobs, and through the educational opportunities open to them, especially by way of the standard and graduate courses of the American Institute of Banking. Moreover, you can lend your support directly to the National Women's Committee of the Institute, which lists among its objectives the encouragement of women to build a firm foundation of banking education."

Bank women from 39 states, the District of Columbia and Hawaii attended the Phoenix convention



MARKOW PHOTOS

BANKING

Mr. Florence said that in 1942 there were but 3,000 women bank officers, whereas today there are close to 9,000.

Five Management Panels

The NABW convention program provided many good ideas and suggestions which the members can utilize in their work. There were five lively panel discussions on "Trusts—Business Development," "Operations—People and Machines," "Savings Promotion," "Public Relations," and "Training for the Future."

Here are only a few, a fair sample, of the instructive points made by the panel speakers:

Trusts

"Perhaps the problem of developing trust business is not so much that of competition among banks, but covering the available business," E. Louise Davidson, trust officer, Farmers Bank of the State of Delaware, Dover, said while speaking on "Employees Can Be Salesmen."

"The personnel in other departments should know what the trust services are, why you need them, what they can do for you, and how the trust department can add to the bank's earnings," Miss Davidson said. "A good banker is an informed banker."

Continuing her discussion, Miss Davidson emphasized that "we do not mean to convert the banking employees into trust salesmen. Trust business requires handling by trained trustmen and women. But we can inform the employees of the functions of the department, how much it costs the bank to render this service, how much it costs the customer to use it and how and when to introduce the customer to the trust department."

Programs for Women

"Programs for Women" was the subject developed by Jane Ashby, assistant trust officer, United States National Bank, Denver. Miss Ashby spoke from a background of three Women's Finance Forums and a women's stockholders meeting sponsored by her bank.

Answering her own question as to how to reach an audience, Miss Ashby gave these pointers:

"Make a list of the women's organizations in your town. Women's clubs, church groups, hospital aux-



Officers of the NABW in the Westward Ho Hotel patio. Seated: incoming President Rehme (left) and retiring President Blanchard; standing, left to right: Treasurer Otten, Corresponding Secretary Van Nice, Vice-president Bush, and Recording Secretary Welling

New NABW Officers

Virginia A. Rehme, vice-president, Southern Commercial and Savings Bank, St. Louis, was elected president of the national association and Bee Bush, assistant vice-president, Valley National Bank, Phoenix, was elected vice-president.

Other officers elected for the ensuing year are as follows:

Recording Secretary: Viola Welling, assistant cashier, Alton (Ill.) Banking and Trust Company; *Corresponding Secretary:* Louise Van Nice, secretary-treasurer, The Trust Company of Kirkwood, Mo.; and *Treasurer:* Florence C. Otten, comptroller, Citizens Savings Bank and Citizens Trust Company, R. I. (re-elected for a second term).

In addition, eight regional vice-presidents were chosen:

LAKE DIVISION: Mary L. Jessee, assistant trust officer, Gary (Ind.) National Bank.

MIDDLE ATLANTIC DIVISION: Char-

lotte A. Engel, trust officer, National Savings and Trust Company, Washington, D. C.

MID-WEST DIVISION: Grace C. Moore, assistant cashier, First National Bank of Joplin, Mo.

NEW ENGLAND DIVISION: Amy F. Birracree, assistant secretary, The Chelsea Savings Bank, Norwich, Conn.

NORTHWESTERN DIVISION: Mary De Martini, assistant trust officer, First National Bank of Portland, Oreg.

SOUTHERN DIVISION: Olive H. Gillespie, assistant cashier, The Citizens National Bank, Bowling Green, Ky.

SOUTHWESTERN DIVISION: Iweta Miller, assistant vice-president, The City National Bank of Houston, Tex.

WESTERN DIVISION: Marion Anderton, assistant cashier, Bank of America N.T. and S.A., San Francisco.

iliaries, AAUW, Junior League, fraternal groups. Ask the presidents of these groups to come to a luncheon and tell them your plans. Ask them to cooperate in spreading the word to their organizations. You will find such a group helpful and enthusiastic.

"You will find the men's organizations helpful in your publicity. While we do not want the men to attend, we do want their wives. Send a supply of invitations to the Chamber of Commerce and the service clubs. Ask the men to take them home to their wives.

Miss Ashby pointed out that pro-

grams should be planned to answer the specific questions of women.

"Public relations" was defined by the single word COMMUNICATION by Edythe Crandell Peck, assistant cashier, The Birmingham (Mich.) National Bank, while participating in the Public Relations panel. Speaking on the theme "It's Everybody's Business," Mrs. Peck underscored the need for training every bank employee to be an intelligent salesman of their bank's services.

"As supervisor or officer in charge of personnel," she said, "it is in your hands to so indoctrinate those mem-

(CONTINUED ON PAGE 108)

Burroughs
comes up with
the low-cost
answer to —
your every
microfilming
need!

Bell & Howell SOLD AND SERVICED BY
Burroughs
MICROFILM EQUIPMENT

"Burroughs" and "Micro-Twin" are trade-marks.





Here's the new 2-in-1 micro-filming machine that keeps making headlines in the banking world—and no wonder! It's the Burroughs Micro-Twin Recorder-Reader . . . the *only* truly up-to-date combination Microfilm Recorder and Reader that offers *double* protection in a single unit.

The Recorder photographs (in an image about as wide as the average lead pencil) any check, document or record of any sort you want preserved. The Reader projects those images distinctly . . . yes, back to original size. Just the flick of a knob converts from recording to reading—and back again. And to make facsimile prints, you merely place a piece of photocopy paper in the viewer . . . then process the prints in minutes right on the spot—no need for a darkroom. The Micro-Twin's cost is gratifyingly low, too . . . and its recording costs could hardly be lower.

The Micro-Twin Recorder-Reader

costs less than you might expect to pay for a Recorder alone



New Model 205 Recorder

Where separate Recorders are needed, this is your model—the Micro-Twin without the Reader. Like the Micro-Twin, it records as fast as it can be fed—by hand or automatically. It can film records front and back simultaneously, or one side only if you prefer. Easy to move about; compact, too—just 32" wide, 23" deep.



New Model 206 Reader

Many banks need extra Readers to handle their microfilm reference. The Burroughs 206 Reader is the ideal, economical solution. Only 16 pounds, it weighs less than most portable typewriters—is snugly compact, taking up less than a square foot of surface space. It projects 8, 16 or 35mm. film with the same lens and film guide. The image can be completely rotated on the Reader screen.

Plus these Added Advantages:

AUTOMATIC ENDORSING during microfilming—clean, fast, accurate.

EXCLUSIVE INDEXING METER for almost instant location of desired items.

CHOICE OF LENSES—37 to 1 or 24 to 1 reduction ratio camera lens available.

AUTOMATIC FEEDING with the Acro-Feeder. Fast hand-feeding at high recording speed, too.

FILM ECONOMY—Films 66 checks for *one cent*, including film, processing and postage.

FOR A DEMONSTRATION call our nearest branch office. It's listed in your phone book. Burroughs Corporation, Detroit 32, Michigan.

Bank Women

(CONTINUED FROM PAGE 105)

bers of the staff through whom you work as to the best approach to the customer's resistance. There exists, as you know, a powerful quality that makes good customers out of likely prospects, real friends out of casual acquaintances. This quality is special intense attention to a person's individual needs and requirements."

Better Letters—Better PR

"Better Letters for Better Public

Relations" was the subject developed by Helen C. Wardlaw, assistant vice-president, The Union National Bank, Charlotte, N. C.

"A vital aspect of the general public relations consciousness of a bank should be its correspondence, particularly since, according to statistics, approximately 85% of business is conducted by letter," said Mrs. Wardlaw. "There is something about a letter which makes it a powerful instrument for good—or bad—public relations."

Mrs. Wardlaw commented that

"many studies have been made to determine the cost of a letter and the results have been practically the same. Each letter that goes out from an office costs from \$1 to \$1.50 when we consider the dictator's time, secretary's time, clerical assistance, stationery, and stamps."

Answering Criticism

"There are two ways of answering unjust criticism—the more obvious one, of course, is verbal," said Marjorie M. Siewert, president, The First National Bank, Little Falls, Minn., while giving her views on "Answering What They Say."

Mrs. Siewert contrasted banking 50 years ago with banking today and stated that "the whole concept of banking has changed. We can and are *answering what they say* with the one word *service*."

"Our county agent," she said, "wanted to demonstrate a new type of farrowing pen in our bank lobby, with a mother pig and babies present, and to present a short movie on their care every hour on the hour. We thought it a good idea and decided to hold open house and serve coffee and doughnuts all day. It turned out to be quite a society affair, with the little pigs as our debutantes."

"The basic principle is the same for all of us. We are trying to meet the needs of our communities."

Reid Award Winner

Eldeda W. Neill, auditor of the Grand Avenue Bank of Kansas City, Mo., received the Jean Arnot Reid Award from President Blanchard.

Mrs. Neill, an A.I.B. Pre-Standard and Standard Certificate holder, began her banking career in 1943.

Eldeda W. Neill



NEW ONE-STEP SYSTEM

for handling instalment loans

ONE
STEP

- produces all necessary records at one writing
- gives customer complete record identical with yours
- sets up filing and sorting system

LOAN-A-MATIC saves time, expense and errors. Now in use by banks from coast to coast. Additional installations being made as rapidly as possible.

WRITE TODAY for copies of the Accounting Packet and the Coupon Book.



JOHN W. GROSS COMPANY • HARTFORD 3, CONN.

National Spotlight on Careers in Banking

Reprint of national advertisement is added to speech, film, teachers' guide, and other personnel recruitment aids available to banks through various departments of the American Bankers Association

"ON a street corner in the little town of Rusk, Texas, a 15-year-old newsboy pulled out a copy of the *Dallas News* for one of his regular customers. As usual, the man stopped to exchange a word with the youngster. This time, though, he studied the lad for a moment and said:

"Son, I've been thinking—how would you like to work for the bank?"

Thus began the banking career of a man who just two months ago was elected president of the American Bankers Association, thereby assuming the role of leader of all the banks for 1956—Fred F. Florence, now president of the Republic National Bank of Dallas.

The dramatic story of Mr. Florence's introduction to banking is the lead for a two-page advertisement which is appearing under the headline "Should Your Child Be a Banker?", in the November issue of *Ladies Home Journal*, November 26 issue of *Saturday Evening Post*, and November 25 issue of *Collier's*.

Developed with A.B.A. Help

Developed with the encouragement and cooperation of the American Bankers Association, this ad is No. 17 in a continuing series of New York Life Insurance Company advertisements, beginning in 1953, on career opportunities for young men and women.

Other careers covered in previous New York Life ads include newspapering, law, medicine, accounting, teaching, architecture, aeronautical engineering, electronic engineering, public service, farming,

chemistry, selling, nursing, starting a business of your own, pharmacy, and dentistry.

Reprints of these ads are available in booklet form. Some reprints have been translated into Spanish and French. Many schools throughout the country have found them helpful in guidance and counseling work. In addition, close to 10,000 people have asked to be placed on the mailing list for distribution of future reprints. It is estimated by the New York Life Insurance Company that upwards of 2,500,000 of these career booklets have been distributed to date.

The banking ad, taking the form of an interview with Mr. Florence, relates facts and figures showing that there is romance, adventure, achievement, and real personal satisfaction in modern banking, including a variety of interesting duties and good chances for steady advancement. It points out how to prepare and how to apply for positions in banking. And it cites several stimulating reasons why young people should select banking as their life work. For example:

"A most important fact—one that even bankers find hard to realize—is the tremendous growth of banking in the past 15 years. Since 1939 the number of accounts in commercial banks has doubled, and the amount of deposits, and of bank loans and investments has tripled. Today 90% of the nation's business is transacted through checking accounts in banks."

* * *

"... All this has not only brought 200,000 more people to work for

banks—an increase of 65% in 16 years—but it has created a vast need for executive leadership. New banks and branches blossom out all over the land, and there must be new managers and executives to run the new offices. American banks keep extending their foreign interests, and the call goes out for young executives to go to Cairo, Rome, Beirut, Manila, Paris—to foreign offices all over the world."

* * *

"There are 15,000 banks in this country. Just in the ordinary course of events they require about 1,000 new presidents a year. Approximately 5,000 officer-positions open up every year. The point to remember about that is that no other business brings so many executives up from the ranks."

* * *

"... one out of every five and a half employees (in banking) holds an official position."

* * *

"But for the young person bent on a banking career the chances of reaching executive status are better than that. ... One statistician has figured that two out of every three men employees of banks must be prepared for officership."

* * *

"At the same time, the opportunities for those women who do remain are greatly increased. Before World War II one rarely saw a woman entrusted with the responsibilities of a teller's position. Today they have gone far beyond teller's status. Many women have advanced to officers' positions, particularly in the smaller and medium-sized banks

and, on a national average, one out of every 10 officers is a woman."

* * *

"Modern banks conduct carefully planned programs of learning and advancement for their employees. The courses of the American Institute of Banking are preparing thousands of members of bank staffs for better jobs, and many banks are supplementing these courses with study plans of their own."

* * *

"... Banks as a group offer their employees more of the so-called fringe benefits than any other in-

dustry, according to a United States Chamber of Commerce survey."

Distribution of Reprint

Arrangements have been made by the A.B.A. Public Relations Council for local bank use of the 8-page, 4" x 8½" banking career reprint. Copies in the quantity desired may be obtained by interested banks through the courtesy of the New York Life Insurance Company without charge. For their supply, banks should write to *Public Relations Council, American Bankers Association, 12 East 36 Street, New York*

16, New York; or call the Council at Murray Hill 5-5100.

The Public Relations Council suggests that all member banks obtain an adequate supply of these reprints for varied uses which may include:

- (1) Distribution to high school and college placement offices.
- (2) Distribution to high school seniors and college students.
- (3) Distribution to educators and teachers.
- (4) Distribution to YMCA, YMHA, Boy Scouts, or other community organizations which have vocational guidance programs.
- (5) Bank lobby or counter distribution.
- (6) Distribution through special "banking career" displays or exhibits.
- (7) Direct-mail distribution to customers and other selected groups.

This banking career reprint, which in effect represents third-person endorsement of banking as a career, should be used as another aid for banks in recruiting capable, energetic and promising people.

A.B.A. aids of a similar nature include a speech ("A Career in Banking") for delivery by bankers to high school, college, and other "young people" groups; a film ("A Future to Bank On") for showing to high school and comparable youth audiences; a printed guide for teacher use in conjunction with the film; a booklet ("Opportunities in Banking") for distribution to young career aspirants; supplementary data available through *BANKING* magazine, the A.B.A. Library and other departments; and information on banking career materials produced by individual banks, state bankers associations, and other sources.

One aim of the expanded national public relations program sponsored jointly by the American Bankers Association and Association of Reserve City Bankers, with the assistance of the J. Walter Thompson Company, is to make banking as a career more appealing to young people. As a first step, a reservoir of information is being gathered to act as a pattern of interest and inspiration to young men and women everywhere; also as a stimulant to magazine and editorial writers, with resulting publicity beneficial to banking as a whole.



STATEMENT OF CONDITION, CLOSE OF BUSINESS

OCTOBER 5, 1955

RESOURCES

CASH AND DUE FROM BANKS.....	\$ 68,806,247.91
UNITED STATES GOVERNMENT SECURITIES.....	62,322,106.57
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS.....	14,538,427.33
OTHER BONDS, NOTES AND DEBENTURES.....	1,243,609.32
STOCK FEDERAL RESERVE BANK.....	420,000.00
LOANS AND DISCOUNTS.....	107,777,274.51
INCOME EARNED—UNCOLLECTED.....	609,501.12
BANKING HOUSE AND GARAGE PROPERTY.....	3,848,805.45
FURNITURE AND FIXTURES.....	1.00
OTHER REAL ESTATE.....	1,754.50
CUSTOMERS' LIABILITY—ACCEPTANCES OUTSTANDING.....	18,289.76
CUSTOMERS' LIABILITY—LETTERS OF CREDIT.....	2,185,996.09
OTHER RESOURCES.....	100,320.58
TOTAL.....	\$261,872,334.14

LIABILITIES

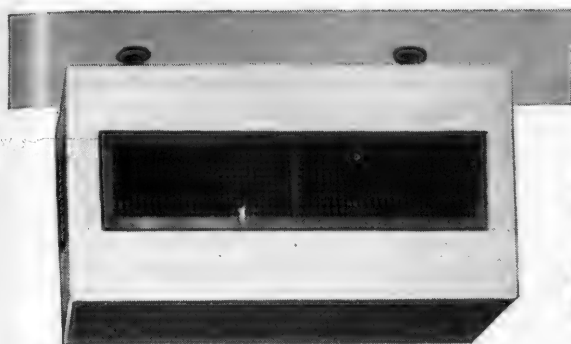
CAPITAL ACCOUNT:	
COMMON STOCK.....	\$ 7,000,000.00
SURPLUS.....	7,000,000.00
UNDIVIDED PROFITS.....	1,720,971.28
RESERVE FOR CONTINGENCIES.....	1,797,598.07
RESERVE—AMORTIZATION OF BOND PREMIUMS.....	323,421.18
RESERVE—TAXES, INTEREST, EXPENSE, ETC.....	1,267,709.03
ACCEPTANCES EXECUTED BY THIS BANK.....	18,289.76
LETTERS OF CREDIT ISSUED.....	2,185,996.09
INCOME COLLECTED—UNEARNED.....	1,254,944.89
DEPOSITS:	
INDIVIDUAL.....	\$173,034,069.38
BANK.....	45,359,059.03
U. S. GOVERNMENT.....	4,832,910.86
OTHER PUBLIC FUNDS.....	16,077,364.57
TOTAL.....	\$261,872,334.14

U. S. Government and other securities carried at \$45,108,496.61 in the above statement are deposited to secure public funds and for other purposes required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Airtemp "Out-of-the-Way" Air Conditioner saves valuable floor space!



Your Airtemp Dealer
will show you how
Suspended Air Conditioning
GIVES YOU
MORE ROOM FOR PROFIT

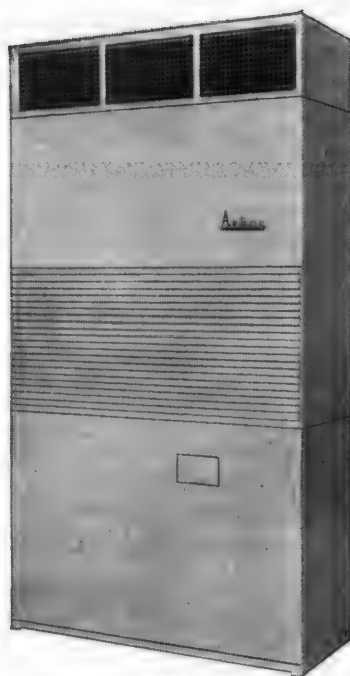
Only AIRTEMP
offers you a choice of 13 sizes in
WATERLESS OR
WATER-COOLED PACKAGES

COSTS LESS TO OPERATE AND OWN—longer life and economy is built into every Airtemp compressor—costs less to operate, does more work—*without* vibration or noise! Compressor is completely sealed in oil so that dirt and moisture can't get in.

MORE DEPENDABLE—5-year warranty guarantees the entire refrigeration circuit of every Airtemp "Packaged" air conditioner. You'll find Chrysler-Quality and engineering built in . . . not just assembled, but *manufactured* by Airtemp.

EXPERT INSTALLATION AND SERVICE—your nearby Airtemp Dealer is factory-trained . . . an air conditioning *specialist* who will install your new Airtemp "Packaged" Air Conditioner properly. We're proud of his prompt, efficient service.

Call your Airtemp Dealer now
(he's listed in the Yellow Pages).
Or write Airtemp Division,
Chrysler Corporation, Dayton 1, Ohio,
for the name of the dealer nearest you.



NEW
ADVANCED Styling! IN 13 SIZES—
Waterless or Water-cooled Packages
from 2 to 30 H.P.



AIR CONDITIONING • HEATING FOR HOMES, BUSINESS, INDUSTRY

How has Christmas Club a Corporation maintained its leadership for nearly half a century?

That question was posed by a banker friend the other day, and in formulating the reply I began to list the things we do to co-ordinate Christmas Club with the problems and objectives of those we serve. After completing the list it occurred to me that here was the reason we are serving a larger number of institutions each year, and I thought we would print the list in this advertisement so that you could know our thinking and our basic philosophy.

1. Christmas Club a Corporation never attempts to limit you to any one system; it provides them all, from simple ledger cards to modern, low-cost tabulating card methods. It knows from long experience that each financial institution has different requirements, and tailors its recommendations to the institution's size, personnel, location, area population and membership potential.

2. Christmas Club a Corporation produces the finest line of effective advertising materials; provides them at low prices made possible by mass production.

3. Christmas Club a Corporation conducts yearly surveys to find how people use their Christmas Savings and how they use the other services you offer.

4. Christmas Club a Corporation then devotes a substantial portion of its income to advertising and promoting the Christmas Idea and Plan to keep the public coming to your door. Many thousands of the dollars thus spent

each year are directed to educating the public to use all the services you offer.

5. Christmas Club a Corporation sponsors cash award programs to encourage thrift.

6. Christmas Club a Corporation, without charge to the institutions it serves, provides lobby cards, car cards (with space for your imprint) and radio spot copy, and lends its customers T.V. (16 mm.) or motion picture (35 mm.) film for local use during the Christmas season.

7. Christmas Club a Corporation finances this public relations program by ploughing back a substantial portion of its profits each year. Customers are never penalized for this extra promotional effort.

8. Christmas Club a Corporation provides other clubs—Vacation, School Savings, Thrift—and promotes specific programs to make them successful.

The program outlined above has just one fundamental purpose: To co-ordinate Christmas Club with your over-all picture in such a way that new business is created for all departments and the public is given an increasing awareness of how our American banking system can help them to achieve a richer life and a self-obtained security.

We sincerely believe that the experienced service of Christmas Club a Corporation will help you increase your profits and will help to increase the permanent wealth of your community. We have proved it in thousands of institutions, both large and small. The organization that founded the Christmas Club plan and which has developed it for 45 years has naturally accumulated a "know-how" that can build business for you.

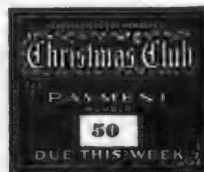
Without obligation of any kind we invite you to ask to see the Christmas Club man. There's one nearby to help you set up a new club or make an old one more productive.

Edward F. Dorset PRESIDENT

Christmas Club

A CORPORATION

230 PARK AVENUE, NEW YORK 17



BUILDS CHARACTER • BUILDS SAVINGS • BUILDS BUSINESS FOR FINANCIAL INSTITUTIONS

Bank of Last Resort

(CONTINUED FROM PAGE 55)

Never in its history had El Salvador floated an internal bond issue. Some experts were inclined to doubt whether that little country could absorb much financing. But then, they hadn't seen a dynamic American bond salesman in action. Four months later, by the time Mr. Tucker finished his campaign, the money was raised and the issue was oversubscribed by the Salvadorean equivalent of \$2,500,000.

Because of its international ownership and make-up (its directors are selected by their governments, and its staff of 475 is recruited from 37 different countries) the World Bank is often mistaken for a part of the United Nations. It is not.

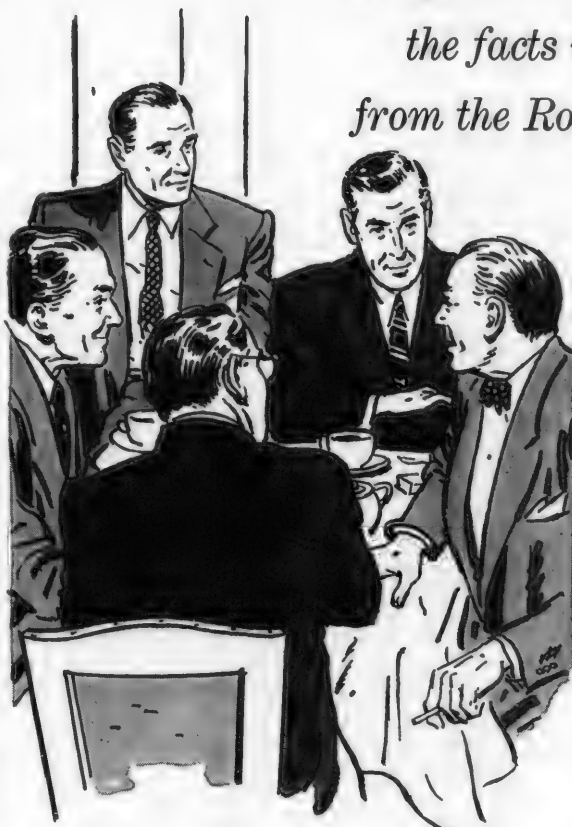
As a matter of practice, a country may be a UN member in good standing and yet get booted out of the World Bank as a dead beat—which is what happened to Czechoslovakia a few years after the Communists took over. Since that coup, the Czech member of the board of governors had tried to turn its annual meeting into a debating forum. At each session he rose to denounce the whole concept of development loans, leaning heavily on such phrases as "Anglo-American imperialism."

No Fiscal Bad Manners

World Bank staff members came to look forward to these outbursts, which lent a touch of levity to the solemn board room. But in 1954, after two years of being dunned, his country still dragged its feet in ponying up its balance due on the guaranteed capital—a comparatively measly \$625,000—and the country found itself out in the street. Insults could be written off as bad manners, but fiscal irresponsibility, Bank officials explained, was another and quite intolerable matter.

The Bank was not always so sure of its position. From its birth at the 44-nation Bretton Woods Monetary Conference of 1944 it was overshadowed by a more publicized twin, the International Monetary Fund. Where the Bank, it was hoped, would finance the reconstruction of war-ravaged Europe, the Fund was believed to hold the magic

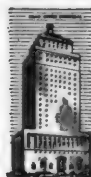
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the facts we needed
from the Royal"*



American bankers have found that the Royal Bank can help them with their Canadian affairs—can help them serve customers with information on problems ranging from sales representation to choice of a factory site. For additional information, write to the Business Development Dept., at Head Office in Montreal.

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and South America, New York,
London and Paris.

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A public weighing service—with a modern Toledo Person Weigher—becomes your hard-working good-will ambassador. More and more people today are weight-conscious. They appreciate this added service . . . an invitation to weigh themselves daily without the need to reach for small coins to pay for it. They like to step up to this Toledo . . . the best known name in weighing, and get Honest Weight. They like to return repeatedly to a scale that fully merits their confidence. Modern design; handsome gray finish.

It will pay you to investigate the many advantages of a Toledo Person Weigher to increase traffic and good-will for your bank. Send for bulletin PW 850. Toledo Scale Co., Toledo 1, O.

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Headquarters for SCALES

wand that would banish economic chaos by stabilizing exchange rates. As it turned out, the rescue of Europe was far beyond the Bank's capabilities.

The Marshall Plan saved the Bank—and Europe—from collapse. By meeting the most pressing international reconstruction needs it enabled the Bank to shift its sights to development credits and the rehabilitation of the world's underprivileged. Eleven years later the Monetary Fund, through no fault of its own, is still wading through a swamp of ill-adjusted currencies, while the World Bank, under the businesslike management of such old legal and financial hands as Eugene Meyer, John J. McCloy, and Eugene Black, has aided many of the most primitive areas on earth.

No one appreciates this better than President Black, who has an undeserved reputation as an international soft touch. On a vacation trip to New Zealand in 1952 (he looked forward to visiting that country because it's not a Bank member, and he was tired of listening to hard luck stories) he drove through the town of Rotorua, where the aboriginal Maoris staged a glittering tribal dance. As the drums died the Chief raised his hand for silence and addressed Mr. Black in Maori.

"He names you Ruler-of-Money," an interpreter explained, "and asks how much you've got for him."

Not All Bouquets

The World Bank runs into considerable criticism, of course. Certain borrowers object that by keeping an eagle eye on the way its credits are spent the Bank makes it difficult for them to buy anything fancy in the way of equipment. This charge delights the Bank, which has always tried to limit naive clients not to what they want but to precisely what they need.

There's also a tendency to regard the Bank as "idealistic." Its officers display all the benevolence of a Scrooge when they hear this horrid word. Out come the profit sheets, and angry fingers are jabbed at the line showing it has \$122,000,000 in the supplemental reserve and \$62,000,000 in the statutory reserve—funds which are not built up by idealistic gestures.

Mention the town of Tecuala, Mexico, however, and you'll see why

so many of the Bank's officers left better-paying positions to spread the gospel of self-improvement. "Tecuala," they will say reminiscently, "was quite a job. Strictly a profit venture, of course." No doubt it was; but to many people, including the Tecualans themselves, it carried some of the radiance of a miracle—and all for the price of a 600-kilowatt generator.

Time and progress had bypassed that little village on the hot, fertile flatlands of Mexico's Pacific coast. The soil there lies black and thick, and the thousand peons who worked their small farms harvested two crops a year. But they had no lights in their homes, meager school facilities, no library, no hospital.

A Road, Then Folding Money

In 1950 a road came to town. It was a feeder for Mexico's great west coast highway, and the Tecualans for the first time learned to their surprise that there was a market for their produce beyond their own locality. An occasional truck, rumbling into the dusty plaza, would load up with a few bales of Tecuala tobacco and a hundred stems of bananas and jounce off toward Guadalajara and other cities, leaving behind bewildered farmers thumbing the first folding money many of them had ever seen in their lives. The word spread through the countryside, and farm workers from the neighboring areas began to drift toward Tecuala to share this embryonic prosperity.

Then came a second explosion. Mexico's energetic Federal Electricity Commission, seeing possibilities for development in this and other rural areas, called in World Bank investigators. In 1951, with the backing of a World Bank electrification loan, a Diesel generating plant was installed. Within three years well-lighted streets led from Tecuala's outskirts to a bright central plaza; electric pumps sent running water into homes and farms; a movie theater attracted nightly crowds; and a small modern hospital worked its fluoroscopic and X-ray equipment overtime.

A night school was opened to combat the prevalent illiteracy, and when this had done its work the town built a public library. Only a year after the generator switch was thrown, electric presses were turning out the town's own daily

newspaper. Increasing demand for knowledge led to the construction of a secondary school and later a municipal broadcasting station. Stores began to display amazing things — farm equipment, drugs, hardware, electric appliances.

Today, in place of the backward village of Tecuala stands a modern city of 13,000, with an additional 17,000 suburbanites in the surrounding country. Some 300 cars and trucks use the newly paved streets, and hundreds of homes and business offices are linked by phone. Shoe factories, a corn mill, a refrigeration plant, two carpentry shops and other industries have increased nonfarm employment. Exports last year reached 22,000 tons of corn, 4,000 tons of beans, 2,000 tons of chili, 12,000 bales of tobacco, and truck-loads of shrimp and oysters for the markets of the United States.

This kind of aid has nothing to do with idealism. A thoughtful young Latin-American, an officer at the World Bank, tried to explain what the venture at Tecuala signified. "I don't use the word 'backward' any more," he said. "There are no 'backward' people. Poor, ignorant people, maybe—but all they need is a chance." He leaned back and tapped his glasses on the columns of figures on his desk. "At 4½% interest, you understand."

"Momentous Experiment"

AT this moment in the United States we are engaged in a momentous experiment," stated Elliott V. Bell, editor and publisher of *Business Week* magazine, in a speech before the Savings Banks Association convention in Washington.

"We are attempting to control the economic cycle," said Mr. Bell. "On the outcome of this effort hangs the whole future of our Western world."

"The relentless regularity with which depression has followed boom in our country has evoked over the years a widespread opinion that there is a basic, immutable moral law governing the business cycle," Mr. Bell continued. "We have a



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You'll like the invaluable public relations service Colorado Credit Life can give you . . . it takes care of those touchy collection problems when a borrower dies or becomes disabled. You'll like the simplicity and ease of handling of Colorado Credit Life. And, your borrowers like the peace of mind of knowing that their families won't have to inherit a debt.



GLENN CLARK, VICE PRESIDENT OF COLORADO STATE BANK OF DENVER

(Left) is shown receiving a check for \$2,313.45 from C. Bosworth, Jr., Vice President of Colorado Credit Life. The check is in payment of Colorado State Bank's most recent death claim.

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DEBT CANCELLATION
FIRE INSURANCE
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We invite your questions and requests for information. Wire or call collect to the Colorado Insurance Group Home Office in Boulder, Colorado.

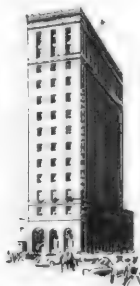


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You may be assured that your business
in Utah and the Intermountain West will be
headed in the right direction when you
call on Continental Bank. Details are never
too small for our careful attention.

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guilty feeling that when we get too prosperous, we, like Job, are inviting the wrath of the gods."

"Depressions are man made," Mr. Bell pointed out. "They are made right here on earth by people like you and me and if we make them we can also stop making them."

Tracing the history of Government attempts at economic stabilization, Mr. Bell stated that "Economic planning in the 1930s was a failure. At the very time we were struggling to bring about economic recovery we were also loading onto the backs of people the heaviest tax burden in peacetime history."

Contrasting that early episode with what happened in 1953 and 1954, Mr. Bell stated that "Here was a piece of rapid-fire pump priming that made Mr. Roosevelt's best look like the work of a tightwad. . . . It worked like a charm. . . . For the first time we have had a practical demonstration of what can be done when the Government moves promptly and with coordinated efforts to combat a recession."

"There can be little question any longer," Mr. Bell went on to say, "that we live in a managed economy and that we must reckon at all times with the continuous intervention of the fiscal and monetary authorities. They will be on the job, not now and then, but every day . . . throwing their weight against the trend of the moment in an effort to smooth out the business cycle and promote increased stability."

Sit on the Boom

"The best possible way to prevent a depression," Mr. Bell stated, "is to sit on the preceding boom."

"We have the influence of compensatory fiscal and monetary policies," he added. "We have, as we are currently seeing, the power of Government to affect directly mortgage lending, making terms easier or more stringent as circumstances require. There is the availability of public works as a stabilizing force in threatened hard times."

"Finally, we have on the part of our people a monolithic determination that an expanding high-level economy must be maintained. We have, I observe, an extraordinarily widespread and intelligent interest in economic events and policies."

"In the defense of prosperity," Mr. Bell concluded, "we are all in the front line."



THE CHASE MANHATTAN BANK

STATEMENT OF CONDITION, SEPTEMBER 30, 1955

RESOURCES

Cash and Due from Banks	\$1,700,348,708
U. S. Government Obligations	1,239,990,658
State, Municipal and Other Securities	552,790,393
Mortgages	157,732,384
Loans	3,230,918,343
Accrued Interest Receivable	17,869,466
Customers' Acceptance Liability	89,123,587
Banking Houses	57,320,698
Other Assets	14,497,378
	<u>\$7,060,591,615</u>

LIABILITIES

Deposits		\$6,353,830,125
Foreign Funds Borrowed		9,201,103
Reserve for Taxes		26,653,574
Other Liabilities		43,455,715
Acceptances Outstanding	\$103,061,333	
<i>Less: In Portfolio</i>	<u>8,341,122</u>	94,720,211
General Reserve for Securities		10,436,808
Capital Funds:		
Capital Stock	\$150,000,000	
(12,000,000 Shares—\$12.50 Par)		
Surplus	300,000,000	
Undivided Profits	<u>72,294,079</u>	522,294,079
		<u>\$7,060,591,615</u>

United States Government and other securities carried at \$524,046,353 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation



We reopened just 36 hours after the fire—

Our Hartford Agent made every minute count!

(Based on Company File #H54-25820)

Last-minute Saturday shoppers ran for the street when fire broke out in our store.

We turned in an alarm at once. But by the time the fire was under control, our one-story building was badly damaged.

My partner meanwhile had called our Hartford Agent. He said not to worry. The Agent got hold of the local adjuster and the two of them were on the scene within an hour.

Sizing up the situation, they authorized immediate repairs. They located contractors who could begin work that night. And both agent and adjuster spent all day Sunday on the premises. Under their watchful eyes, the work moved right along.

Thanks to this splendid help, we were able to reopen Monday morning. "Business as usual" — just 36 hours after the fire!

No lost time here. No lost motion.

There are situations, of course, that take longer than 36 hours to straighten out. But prompt service is always a Hartford objective.

A good point to keep in mind! Particularly when one of your banking customers seeks advice. For dependable protection — combined always with the Hartford type of time-saving, useful service—suggest a call to your local Hartford Agent. Or Hartford coverage obtained through an insurance broker.

Year in and year out you'll do well with the

Hartford



Hartford Fire Insurance Company
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Hartford Live Stock Insurance Company
Citizens Insurance Company of New Jersey . . . Hartford 15, Connecticut
Northwestern Fire & Marine Insurance Company
Twin City Fire Insurance Company . . . Minneapolis 2, Minnesota

Washington

(CONTINUED FROM PAGE 51)

tory agency for the Federal S&L's, has an entirely different set of considerations to deal with from those involved in bank holding company proposals in the commercial banking field.

The latter are criticized because they allegedly lead to concentration in fewer hands of commercial banking resources.

On the other hand, the alleged objection to buying up S&L's eligible for purchase is that it "cheats" the mutual shareholder of his legal if theoretical ownership of reserves and surplus in an originally mutual Federal S&L by converting it to a state institution and then to a stock company for purposes of sale.

In other words, the Federal Home Loan Bank Board faces the basic problem of whether, if it doesn't ask for legislation to combat such a development in some way, it might not eventually bring the whole Federal Savings & Loan association system under criticism, should such a development spread.

HLBB is studying whether it should recommend legislation to deal with this problem, and if so, just what.

It is possible legislation may be offered to Congress in 1956.

HLBB Mortgage Policy

What the Home Loan Bank Board is shooting at, in its tightened credit policy announced this fall, is to apply the brakes to credit extension by member savings and loan associations next spring.

The extent to which the HLBB would like to see the brakes applied is, in general, to limit forward commitments to those which the member associations can anticipate handling with their net additions to share purchases plus loan repayments.

There was a great deal of misunderstanding when the tightened credit policy was announced in September. Some thought it meant an immediate clamp-down on Home Loan bank advances to members. That this was not so was made clear when the HLB's borrowed \$205,000,000 of new money. This will take care of S&L firm commitments made three to five months earlier.

What's going on in St. Louis?

A dynamic new spirit is changing the face
of the Nation's hub



THIRD STREET INTERREGIONAL HIGHWAY sweeps southward from the downtown business district and civic center. This highway, plus the proposed Ozark and Mark Twain Expressways will move traffic swiftly to and from all parts of Greater St. Louis.

There's more reason than ever to do business in centrally located, economically solid St. Louis!

The nation's hub is alive with intense activity—new highways, new industry, new master traffic plan, new buildings—expansion and improvement everywhere, paced by \$110 million of civic improvement bond issues.

Boatmen's, the Oldest Bank West of the Mississippi, is right in the thick of it, supplying wide-awake modern service and economic know-how and more than 108 years of banking experience to St. Louis business, industry and individuals.

Whatever your correspondent needs and problems in the busy, progress-minded St. Louis area, we invite you to consult Boatmen's.



The **Boatmen's**

**NATIONAL BANK
OF SAINT LOUIS**

BROADWAY & OLIVE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Oldest Bank West of the Mississippi

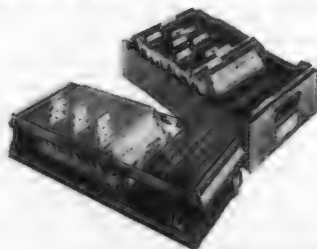
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It costs our bank
7½¢ per account
every month we delay
Post-to-Check installation!
P.S. Whether regular, personal or
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Draw upon our extensive Post-To-Check experience—gained from the great majority of existing installations. These LeFebure equipped installations are averaging 38.5% departmental personnel savings, with a lower capital investment. This means **THE COST OF DELAY IS GREATER THAN THE COST OF INSTALLATION**...and the many other benefits of Post-To-Check are yours *absolutely free*.

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***LeFebure* IS YOUR BEST SOURCE.**

The really complete line...forms, pockets, trays, housing...all especially designed for Post-To-Check and performance tested on the job to assure complete satisfaction.



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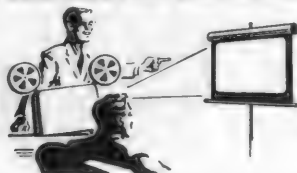
- 5 Styles in sizes to fit your requirements
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***LeFebure* POST-TO-CHECK TRAY CABINETS**

- 20 Basic designs to fit your requirements
- 5 types of fire protective insulation, or uninsulated
- Complete visibility to all accounts
- Roller tray shelves for easy tray removal and return.

Write for complete information, descriptive literature, and available showing dates for 23 minute film in color and sound which shows Post-To-Check at work.



REPRESENTATIVES IN MOST PRINCIPAL CITIES

Holding Companies

(CONTINUED FROM PAGE 53)

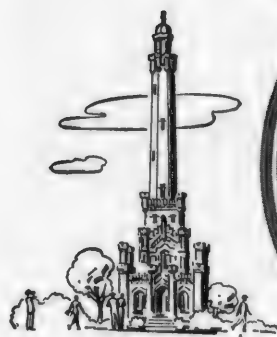
be received. After the hearing has been held, the Federal Reserve Board is required to approve or disapprove the acquisition by formal order. The bill then affords any party aggrieved by the order the right to a judicial review of the order by an appropriate Federal Court of Appeals. This procedure should afford an opportunity for developing the true merits of each case and also assures adequate recourse to court review for the aggrieved party.

Acquisition Across State Lines

The procedure which I have outlined will apply to all acquisitions of bank stocks or assets either within a state or across state lines. In view of the adequate opportunity for expression of opinion by the bank supervisory authorities, the committee did not deem it necessary or advisable to insert in the bill an absolute prohibition against the expansion of bank holding companies across state lines as contained in the House bill and urged by the Independent Bankers Association. An absolute prohibition of this nature would constitute a Federal freeze on future expansion without regard to the merits of each individual case. The committee received testimony indicating the public benefits which have flowed from the interstate structure of some bank holding companies. Like bank holding companies in general, interstate holding companies are not evil of themselves.

It should be noted that another provision of the Senate bill expressly preserves to the states their present authority over bank holding companies within their respective borders, provided that in the exercise of their authority the states are more restrictive than the Federal authorities can be or are under the bill. Therefore, each state may, within the limits of its proper jurisdictional authority, be more severe on bank holding companies as a class than this bill empowers the Federal authorities to be. In the opinion of the committee, this provision adequately safeguards states' rights concerning bank holding companies.

(CONTINUED ON PAGE 124)



The First National Bank of Chicago

Statement of Condition October 5, 1955

Board of Directors

EDWARD E. BROWN Chairman of the Board	LOUIS B. NEUMILLER Chairman of the Board, Caterpillar Tractor Co.
CHESSER M. CAMPBELL President, the Tribune Company	JAMES F. OATES, JR. Chairman, The Peoples Gas Light and Coke Co.
J. D. FARRINGTON President, Chicago, Rock Island and Pacific Railroad Company	WILLIAM WOOD PRINCE President, Union Stock Yard and Transit Company of Chicago
MARSHALL FIELD, JR. Editor and Publisher, Chicago Sun-Times	CLARENCE B. RANDALL Chairman, Inland Steel Company
JAMES B. FORGAN Vice-Chairman of the Board	GILBERT H. SCRIBNER Winston & Company
WALTER M. HEYMANN Executive Vice-President	R. DOUGLAS STUART Director, Quaker Oats Company
HENRY P. ISHAM President, Clearing Industrial District, Inc.	LOUIS WARE President, International Minerals & Chemical Corp.
JAMES S. KNOWLSON Chairman of the Board, Stewart-Warner Corp.	C. J. WHIPPLE Chairman of the Board, Hibbard, Spencer, Bartlett & Co.
HOMER J. LIVINGSTON President	JOHN P. WILSON Wilson & McIlvaine
HUGHSTON M. MCBAIN Chairman of the Board, Marshall Field & Company	ROBERT E. WILSON Chairman of the Board, Standard Oil Company (Indiana)
BENTLEY G. MCCLOUD Banker	ROBERT E. WOOD Chairman, Finance Committee, Sears, Roebuck and Co.
HARRY C. MURPHY President, Chicago, Burlington & Quincy Railroad Company	

ASSETS

Cash and Due from Banks	\$ 569,767,109.84
United States Government Obligations	771,604,726.22
Other Bonds and Securities	156,191,633.50
Loans and Discounts	1,248,075,535.38
Real Estate (Bank Buildings and Adjacent Property)	1,526,498.06
Federal Reserve Bank Stock	6,150,000.00
Customers' Liability Account of Acceptances	2,463,831.51
Interest Earned, not Collected	7,776,708.18
Other Assets	1,218,568.76
	<u>\$2,764,764,611.45</u>

LIABILITIES

Capital Stock	\$ 100,000,000.00
Surplus	105,000,000.00
Undivided Profits	10,657,272.89
Discount Collected, but not Earned	2,903,193.12
Reserve for Taxes, etc.	29,630,144.01
Bills Payable	20,000,000.00
Liability Account of Acceptances	3,865,955.05
Time Deposits	\$ 538,468,761.95
Demand Deposits	1,795,043,510.70
Deposits of Public Funds	159,186,606.21
Liabilities other than those above stated	9,167.52
	<u>\$2,764,764,611.45</u>

United States Government obligations carried at \$237,847,638.29 are pledged to secure United States Government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Building with Chicago since 1863



Accepted Symbol of the Modern Bank

**THE MAGNIFICENT
MOSLER CENTURY
BANK VAULT DOOR**

Now installed in hundreds of beautiful new "Banks of the Future" all over America, the famous Mosler Century Vault Door has won the reputation of being the most significant development in bank equipment in 50 years. It is available, today, with a wide diversity of distinctive architrave and surrounding wall treatments to harmonize with any type of decor your architect proposes.

Here, before you
are the products of your own bold vision
of tomorrow in banking . . .



NEW MOSLER "SNORKEL" CURB TELLER makes drive-in banking service possible "right downtown."

NEW MOSLER "PICTURE WINDOWS" FOR DRIVE-IN BANKING have finest operating mechanism.

NEW MOSLER DAY-NIGHT DEPOSIT SAFE keeps your bank "open for business" 'round the clock.

Concepts...

of modern functional beauty in banking equipment . . . new concepts of efficiency in bank operation . . . new concepts of convenient "super service" for your customers. It took both your vision and Mosler's to bring them to reality.

If you would like details about these new Mosler concepts for the "Bank of the Future," write, phone or wire The Mosler Safe Company, Dept. B-11, 320 Fifth Ave., New York 1, N. Y.

IF IT'S MOSLER . . . IT'S SAFE

The
Mosler Safe
Company Since 1848

World's largest builders of safes and bank vaults . . . Mosler built the U.S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima



NEW MOSLER FLEETWOOD TELLERS' COUNTERS have a "custom" look—at production line prices.

MODERN MOSLER REVO-FILE gives bank clerks and tellers fingertip control over thousands of cards from sitting position.

THE COMPLETE LINE of Mosler Record Safes includes Ledger Desk Safes, which protect signature and credit cards where they're used.

MODERN MOSLER SAFE DEPOSIT BOXES are equipped with locks capable of over a million renter key changes.

Branch Banking

The Committee decided against the inclusion of a provision in the bill that would automatically apply state laws concerning branch banking to bank holding company operations. This provision was contained in the House bill and was advocated by the Independent Bankers Association. A bank branch is, by form, ownership, and functions vastly different from a bank holding company affiliate. The provision in the House bill is an attempt to regulate two dissimilar types of organizations by laws designed specifically for branch banking alone. The effect of the House provision would be to say to the states: "When you enacted your branch banking laws you really meant to regulate bank holding companies." The committee did not feel it was within the province of Congress to interfere arbitrarily with the interpretation of state statutes.

Divestment of Nonbanking Assets

Another main feature of S. 2577 prohibits a bank holding company from acquiring ownership of voting shares in any company which is not a bank. Moreover, bank holding companies are required within two years after the date of this act to divest themselves of voting shares of any company which is not related to banking. The 2-year deadline may be extended up to a maximum of five years with the approval of the Federal Reserve Board.

Exemption is provided from the divestment requirements in cases such as the safe-deposit business, the holding of bank premises, bank-servicing organizations, the collection of debts, the acquisition of shares in a fiduciary capacity, the involuntary acquisition of shares, and investments permissible for national banks. Also bank holding companies may retain investments of no more than 5% of the voting shares of any company, since that amount of stock would not be sufficient for effective control of a company. These provisions are generally the same in both the Senate and House bills.

S. 2577 grants to the Federal Reserve Board the discretion to exempt the ownership of shares of

other companies of a financial, fiduciary or insurance nature that are determined to be so closely related to the banking business as to constitute a proper incident thereto. The committee felt that certain activities of a financial, fiduciary, or insurance nature are obviously so closely related to modern banking as to require no divestment by a bank holding company. This provision gives the Federal Reserve Board authority to determine this relationship in each case on its merits.

The Senate bill also exempts labor, agricultural, and horticultural organizations from the divestment requirement. This differs from the House bill in that the House bill had exempted such organizations completely from regulation. The committee felt that labor, agricultural, and horticultural organizations should be required to be registered and regulated under other provisions of this bill, but that their nonprofit character mitigated any possible danger in their retention of legitimate investments.

Other Provisions of the Bill

S. 2577 contains the provision of the House bill prohibiting the borrowing of subsidiary bank funds by a bank holding company or by another subsidiary bank. Other provisions of the bill provide for the administration of the act, reports to Congress by the Federal Reserve Board, and criminal penalties for

violation of the act. The committee adopted the tax provisions contained in the House bill with certain technical changes suggested by the Internal Revenue Service. These provisions insure favorable Federal income tax treatment for property distributed to shareholders of bank holding companies because of the requirements of the bill.

As a member of the Senate Banking and Currency Committee since 1947, I have personally participated in the drafting and consideration of several bank holding company bills and I have made a careful study of earlier efforts in this field. I am convinced that, while S. 2577 is not perfect, it offers a fair and equitable solution of the problem of bank holding company regulation. It is not as strong a bill as some of the independent bankers would like to have, and it contains some features which are regarded with disfavor by the holding companies subject to its proposed regulations. I believe, however, that S. 2577 comes closer to satisfying more people than any previous legislation on the subject, and if the Senate rejects this bill next year we are likely to go on for some time under the admittedly inadequate provisions of the 1933 law.

I hope, therefore, that a majority of my Senate colleagues will agree it is better to pass this bill, with an opportunity to amend it if future experience indicates changes are needed, rather than to leave the subject once more in the field of fruitless debate.



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Gifts and Estate Taxes

(CONTINUED FROM PAGE 58)

tive any substantial possibility that the property will ever come back to him. He must cut his last hold on the asset. This he may do by an outright gift to (for example) "my son John, his heirs, and assigns absolutely and forever." But outright gifts of substantial amounts can have disastrous tax consequences. A wealthy industrialist gave his wife \$300,000 in 1940. He paid a gift

tax of \$60,000. In 1947 his wife died, and, under the terms of a long-forgotten will, her entire estate passed to him, but only after the Government took \$56,000 in estate taxes. Thus he was back where he had started except for the \$116,000 paid in taxes. Wherever gifts of substantial amounts are made, donors ought to create trusts in order to avoid estate taxes on the later deaths of their donees.

Gifts in Trust

The gift in trust must be abso-

lute. The donor must surrender all power, either alone or in conjunction with any other person, to alter, amend, or modify the trust. He may not reserve any right to change the beneficiaries or the times when payments shall be made, or even the time when the trust shall terminate. *Commissioner v. Holmes*, 326 U.S. 480 (1946). It is rarely, if ever, wise for him to act as trustee or even as one of the trustees, for such a position would give him powers which might be construed to be the equivalent of powers to alter or amend.

The trust may, nevertheless, be made extremely flexible. An independent trustee, corporate or individual, may be given powers to invade corpus for the benefit of income beneficiaries and even to terminate the trust should this at some later date appear to be the desirable course to take. Beneficiaries may be given limited powers of appointment enabling them, for example, to provide in their wills how the corpus shall be distributed or to direct contributions of capital to others during their lives, free of gift tax. I.R.C. Sec. 2041. These powers can give the beneficiaries most of the benefits of ownership without the attendant tax burdens.

Many an estate owner is willing to give, provided receipt by his donee of the benefits of the property can be delayed until the donor's death. To him the pater familias satisfactions that belong to the holder of the purse strings are too dear to part with. Under the new code it is possible to create a trust with directions to the trustee to accumulate the income until the death of the grantor and then to begin payments to the donees. Sen. Rep. No. 1662, 83d Cong., 2d Sess., 123 (1954). The mere fact that they must survive him to enjoy the gift is no longer a basis for inclusion of the property in the estate of the donor.

In addition to the estate tax savings available through the use of properly drawn trusts, the trust device offers many income tax saving possibilities. Thus, where a trust is being created for several beneficiaries, the careful draftsman will provide for a separate and distinct trust for each individual beneficiary. "Multiple Trusts and Minimization of Federal Tax," 40 *Columbia Law*



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Review 309. If, for example, there are five children to share in the fund, the property may be given to the trustee with instructions:

(1) to pay one-fifth of the income to each child, or

(2) to divide the property on receipt thereof into five equal parts and to hold one such part for each child as a separate and distinct trust and to pay each child the income from his part.

This latter arrangement does not create any administrative difficulties, since each trust may own a one-fifth undivided interest in each item of property and the five funds may be administered as a unit. The advantage is that five separate tax entities have been set up. Assume the trustee buys Blackacre for \$50,000 and some years later sells it for \$80,000. As capital gains are normally taxed to the trustee, the trust or trusts have incurred a \$30,000 long-term capital gain. If there is a single trust and no other taxable income the trust would pay a tax of about \$5,200. But if the gain is split five ways it is taxed at lower brackets and with five \$300 exemptions instead of one. The combined taxes would run about \$3,200. Separate trusts are particularly important where accumulation powers are provided.

Discretionary Power to Accumulate Income

In the past very considerable income tax savings were available through use of accumulation provisions. Where a beneficiary does not need all the income from the fund, it is a tax waste to require that it be distributed to him. Prior to the 1954 Code, under a discretionary accumulation trust the income which the trustee decided to pay out was taxable to the beneficiary and the portion retained was taxable to the trust. Thus, in years when the beneficiary was in high tax brackets income could be accumulated and later paid out as capital. The 1954 code attempts to prevent this tax avoidance device by the new 5-year-throw-back rule. This rule is designed to impose the tax on a beneficiary who receives a delayed payment of accumulated income, as though it had actually been delivered to him in the years received by the trustee (limited to accumulations of the prior five years). There is thus no tax benefit in accumulating for two or three

years and then distributing. But the exceptions to the throw-back rule leave open many of the tax saving plans formerly available. As Casner points out in the *Harvard Law Review*—68 *Harvard Law Review* 467 (1955)—for all practical purposes the old advantages are still available under the new code.

The throw-back rule does not operate on:

(1) Distributions on the final termination of a trust if made more than nine years after the creation of the trust or after the last trans-

fer of any additional capital to it.

(2) Emergency payments, even though they come from accumulations of the prior 5-year period.

(3) Income accumulated while the beneficiary is a minor.

(4) Distributions from prior accumulations of \$2,000 or less. This special \$2,000 exclusion emphasizes the desirability of separate trusts, since if there are five trusts, instead of one, as in the example above, \$10,000 of prior accumulations may be paid out without incurring the adverse effects of the rule.

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It may be that the entire income from the trust will be needed by the primary beneficiary for the support of his family, but paying it all to the high-bracket income tax member can be wasteful. Thus if John has two sons in college it would obviously be far cheaper to have the income distributed and taxed to the sons than to John, who must add it to his other income. This may be accomplished through what is known as a spraying provision. A typical clause would authorize the trustee with respect to the income of the trust "to pay the income to or apply the income for the benefit of any one or more of a group consisting of my son John and the issue of John living from time to time in such amount or amounts as the trustee may in his sole uncontrolled discretion determine." The trustee may then distribute the income with an eye to the tax burdens. See generally 33 Taxes 532 (1955).

An irrevocable gift in trust, like an outright gift, will obtain the benefit of the \$30,000 lifetime exemption and, if by a married donor, of the gift splitting privilege. Where, however, the trust is for the benefit of a spouse, it will qualify for the gift tax marital deduction only if (a) the spouse is entitled to all of the income for her life, (b) it is payable at least annually, (c) such surviving spouse is given a general power of appointment by will or by deed exercisable in all events, and (d) no other person has a power to appoint any part of the corpus to anyone other than such spouse. I.R.C. Sec. 2523. An alternative method of qualifying such a trust is to vest the remainder indefeasibly in the estate of the wife. But this is rarely used. It is objectionable in that it subjects the fund to administration expenses on the death of the wife, frequently incurs unnecessary state taxes, and in many states creates legal uncertainties as to the state of the title.

Use of several of the plans suggested above would cause a loss of the \$3,000 exclusion. But the advantages they offer would seem in most cases to outweigh the relatively small advantage of this deduction from taxable gifts.

The annual exclusion is limited to gifts of a present interest. Any delay in the time of the enjoyment of the gift by the donee forfeits the

exclusion privilege. Thus if the income is to be accumulated, absolutely or in the discretion of the trustee, the exclusion is denied. If there is any uncertainty as to the donee, as in the spraying trusts, it is lost. Even if the income is absolutely and immediately payable, an addition to an existing trust of \$3,000 would not get the full benefit of the exclusion because it would be partly a gift of a future interest. The only present interest given is the right to the income from the \$3,000, since by assumption no immediate right to the capital exists. How much this right to the income is worth would depend on either the age of the beneficiary or the duration of the trust. On the other hand, practically all trusts of substantial amounts which require that the income be distributed to a beneficiary automatically qualify because this right to the income for life will have an immediate value considerably in excess of \$3,000.

One area in which the future interest limitation causes trouble involves gifts to minors. Some courts had held that any gift in trust to a minor was necessarily a gift of a future interest. The 1954 code attempted to clarify the law by providing that, if the income and principal may be expended by or for the benefit of a minor and, to the extent not so expended, will pass to him at 21, the gift shall not be regarded as a future interest. I.R.C. Sec. 2503(c). There is the further requirement that, if the infant dies before reaching 21, the property must pass to his estate or to his appointees under a general power of appointment.

These conditions may well place too high a price on obtaining the exclusion. In making a gift to a child of six, it is impossible to foretell what kind of a child he will be at 21 and whether it will be in his best interests to have the unrestricted control of the capital forced upon him. Congress ought to be urged to further to liberalize the new section by making the capital distribution at 21 discretionary or by extending the age to 30.

Conclusion

Wherever gifts of substantial amounts are contemplated, serious consideration should be given to the creation of trusts in preference to

outright transfers. Gifts in trust may be so arranged as to be effective in the matter of estate taxes on the deaths of the donees without denying them (1) use of the capital if needed or (2) reasonable testamentary control over its disposition at their deaths. In addition, trusts offer income tax saving opportunities that may prove extremely valuable. Further, it is possible, if this is desired, to qualify trusts for the annual \$3,000 exclusion, but in the experience of the writer too much emphasis is often placed on obtaining this relatively small benefit to the exclusion of much more attractive tax saving opportunities and to a sacrifice in flexibility.

Bank Loan for Public Authority

A unique \$100,000,000 bank loan to the Allegheny County (Pa.) Sanitary Authority was announced recently by the Mellon National Bank and Trust Company, Pittsburgh. Termed an "interim financing arrangement," the loan was worked out through the cooperative efforts of Singer, Deane and Scribner, the Authority's fiscal agents, and a group of banks headed by Mellon Bank. It will be repaid through the sale of long-term Authority bonds during the next four years.

In addition to Mellon Bank, Pittsburgh area banks participating in the loan are Peoples First National Bank and Trust Company; Fidelity Trust Company; The Union National Bank of Pittsburgh; Commonwealth Trust Company; Brookline Savings and Trust Company; William Penn Bank of Commerce; Sheraden Bank; Bank of Brentwood; The Farmers and Merchants Bank of Sharpsburg; North Side Deposit Bank; Provident Trust Company; and Avalon Bank.

Banks from other areas are The First National City Bank of New York; Guaranty Trust Company of New York; The Chase Manhattan Bank; The Hanover Bank (New York); Continental Illinois National Bank and Trust Company of Chicago; The Cleveland Trust Company; The New York Trust Company; The Northern Trust Company (Chicago); Girard Trust Corn Exchange Bank (Philadelphia); and The First Pennsylvania Banking and Trust Company (Philadelphia).

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Among retailers, the highest 1954 failure rate was 106 per 10,000 for infants' and children's wear stores. The next highest rate, of 105, was for appliance, radio and TV dealers. Sporting goods stores suffered casualties of 104 for each 10,000 operating concerns in the line. The low rate was 8 per 10,000 for packaged liquor stores.

Manufacturing Failures

Dun & Bradstreet also computes the failure rate for certain manufacturing lines. In 1954, among manufacturers, the highest failure rate per 10,000 operating concerns was 184 for furniture manufacturers. Electrical machinery manufacturers and leather and shoe manufacturers were runners-up with failure rates of 164 and 161 respectively. Lumber manufacturers showed the lowest rate, with 19 per 10,000 concerns.

By states, the highest failure rates per 10,000 operating concerns within each state were: California, 145.4; Nevada, 126.5; and New York, 103.5. The five states with the lowest failure rates were: South Dakota, 2.4; Wyoming, 5.2; North Dakota, 5.5; Delaware, 6.3; and Kentucky, 9.8.

For the first half of 1955, Dun & Bradstreet reports 5,626 business failures, a drop of 2.6% against the first half of 1954.

For purposes of comparing years, Dun & Bradstreet takes the total failures for the year and divides them by the total number of business listings in their *Reference Book*. On this basis, since the year 1900 an average of 74 out of every 10,000 concerns listed failed with loss to creditors each year. The current failure rate of 42 is well below this half-century average. Although it is up from the 1945 all-time low of 4, it is well under the 1940 rate of 63, and the all-time high in 1932 of 154.

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Resolutions

(CONTINUED FROM PAGE 90)

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HISTORY has taught that a nation is only as strong as its moral fiber. America today finds herself in a position of world leadership. An unprecedented ability to create material things has contributed to that leadership. Moreover, we must appreciate that this ability would never have reached fruition had our nation not been founded upon the principle of giving full expression to the dignity of man. To preserve that dignity we must place above material things the integrity and high moral purposes of the individual and the nation that inspired our founding fathers. Only in this way shall we be able to fulfill our responsibility of leadership, and impart a meaning to the word "freedom" that the rest of the world can understand.

Business and Credit Conditions

THE present record-breaking prosperity affirms the vigor and resilience of our private enterprise economy. It is not being supported by large-scale Federal deficits.

In such a period, we should be alert to prevent inflationary excesses which lead to inevitable reactions later on. There has been a broad expansion in credit of all types in the past years, and there is evidence that inventory accumulation is taking place. It is important that these influences do not produce a rise in prices, or in wages not based on productivity gains, with a possible resumption of the wage-price spirals which reduced the purchasing power of the dollar after the recent war.

The policy of the Board of Governors of the Federal Reserve System has continued to demonstrate the flexibility essential to effective monetary management and has been adjusted promptly to changing conditions. It properly seeks to restrain credit excesses which could impair the stability and sound growth of our economy.

(CONTINUED ON PAGE 134)

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(CONTINUED FROM PAGE 132)

Flexible monetary actions, while unpopular at times, are in the interest of all the people and deserve support. We endorse and support the monetary policies of the Federal Reserve System and do not believe they are restricting the availability of credit for the needs of business, agriculture, and consumers.

Instalment and Home Mortgage Credit

A CONTINUING flow of instalment and home mortgage lending is essential to a strong economy. We should recognize, however, that, when credit terms become too liberal, they may prove troublesome and embarrassing to both borrowers and lenders and injure the health of the economy.

Bankers have a responsibility to counsel with their customers in the use of instalment and mortgage credit. They should be concerned at all times with the quality of the loans which they make, and should lend only on such terms as will provide individual borrowers with proper equities in their purchases and enable them to maintain their finances and credit on a sound and sensible basis.

Debt Management and Fiscal Policy

THE Treasury has continued to handle its financing operations in a manner that has minimized interference with monetary policy and has avoided unsettling effects on the economy. At the same time, commendable progress has been made toward improving the structure of the Federal debt. We trust that the Treasury will continue to move in this direction as conditions permit.

We commend the substantial progress that has been made toward reducing Government expenditures and balancing the Federal budget. We urge that the Government continue to push vigorously in this direction without weakening our national security. At a time like this, when business is booming and inflationary dangers are present, our aim should be not merely to balance the budget but to achieve a surplus and reduce the Federal debt.

Government Reorganization

THE reports issued this year by the Commission on Reorganization of the Government raise many important questions relating to the functions and operations of the Federal Government. The tremendous increase in the size and activities of our Government over the last two decades has made it imperative for us to reexamine the operations, organizations, and policies of the Government from time to time in the light of changed conditions and the appropriate roles of government and private business. The reports of the commission should be evaluated, therefore, in an objective and non-partisan spirit.

Agriculture

AGRICULTURE is undergoing fundamental changes which reflect readjustments of the basic forces of supply and demand for the output of our farms. Bankers are aware of this situation and fully appreciate their responsibility for helping to preserve the strength of this vital part of our economy.

Many segments of agriculture are confronted with a "cost-price squeeze." Banks serving agriculture, therefore, must continue to play a constructive role in helping farmers to make the necessary adjustments. We are confident about the future of our agriculture, because that future rests upon the solid foundation of a growing domestic market and an improving technology that is the envy of farmers the world over.

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A major function and responsibility of banks should be the encouragement of thrift. This function will lose none of its importance in the years ahead. By continuing to promote thrift, the banks can help to assemble the capital funds that

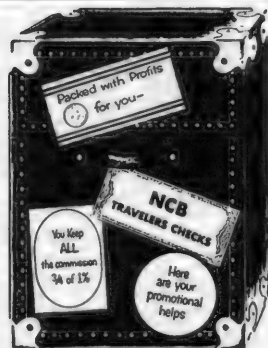
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You're right to expect a fresh experience when you try this new Friden Natural Way Adding Machine. It possesses entirely new convenience features — requires far fewer time-wasting operator decisions. **Clear Signal** prints automatically on tape with first item following a total • **Totals and Sub-totals** obtained instantly by depressing bars—no space

strokes required • **True credit balance** printed without extra motor operations or pre-setting • **Oversize control keys**, each plainly labeled, give direct "live" response. Ask your nearby Friden Man to show you this adding machine. Friden sales, instruction, service throughout U.S. and world. FRIDEN CALCULATING MACHINE CO., INC., San Leandro, California.

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will be needed for economic growth, and can serve as safe depositories for the people's savings.

Savings Bonds

THE Treasury Savings Bonds program is particularly important today because it is essential to promote thrift in a period of record personal incomes. We pledge our continued energetic support for this program.

Appreciation

THE American Bankers Association has been fortunate this year in having, as its president, Homer J. Livingston. His broad knowledge of banking and understanding of economic forces are recognized not only by bankers but also by leaders of industry and government. We are deeply appreciative of his devotion on behalf of banking.

To the other officers, the members who have served during the year on the Councils, Commissions, and Committees, and to the staff, we extend our thanks for their loyalty and zeal in carrying on the activities of the Association.

The banks of this great city of Chicago have made our visit most enjoyable. No detail as to organization and entertainment has been overlooked. To our hosts we express our sincere appreciation.

To the hotels, the press, and all others who have contributed to the success of this Convention, we extend our thanks.

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- ✓ Quick Conversion of Items to Cash
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94 BANKING OFFICES SERVING NORTHERN CALIFORNIA
HEAD OFFICE: SAN FRANCISCO

AMERICAN
TRUST
COMPANY
BANKING
Since 1854



Statement of Condition

September 30, 1955

RESOURCES

Cash on Hand and in Banks	\$ 247,822,607.79
U. S. Government Obligations	402,072,197.95
State, County, and Municipal Bonds	67,403,281.99
Other Bonds and Securities	25,508,136.48
Stock in Federal Reserve Bank	2,400,000.00
Loans and Discounts	735,258,070.05
Bank Premises and Equipment	12,958,468.30
Other Real Estate	1.00
Customers' Liability under Acceptances	1,449,067.08
Accrued Interest Receivable and Other Assets	9,922,781.72
Total Resources	\$1,504,794,612.36

LIABILITIES

Deposits	\$1,376,402,179.43
Acceptances Outstanding	1,528,595.87
Reserve for Unearned Discount	10,727,492.68
Reserve for Interest, Taxes, etc.	14,286,576.48
Other Liabilities	2,562,905.06
Capital Funds:	
Capital Stock	27,812,500.00
Surplus	52,187,500.00
Undivided Profits	19,286,862.84
Total Liabilities	\$1,504,794,612.36

United States Government and other securities carried at \$160,184,909.52 are pledged to secure U. S. Government Deposits, other public funds, trust deposits, and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation



Each new day can present new problems

Reminder to call in your man at the Irving!

• Faced with a tough assignment? He's your man. Call on him as freely as you would a member of your own staff. In fact, he wants to be considered just that.

Broadly experienced himself, he has at his finger tips the facilities of one of the world's largest banking organizations . . . a global network of correspondents . . . experts in every field of commercial banking.

Once you ask his help, every assignment—no matter how complicated or routine—rates equal priority. Your man at the Irving is there to give you service—is just waiting for you to say the word.

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Capital Funds over \$125,000,000

Total Assets over \$1,400,000,000

WILLIAM N. ENSTROM, Chairman of the Board

RICHARD H. WEST, President

Domestic Banking Division, NOLAN HARRIGAN, Senior Vice President in Charge

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Agricultural Credit

(CONTINUED FROM PAGE 72)

Presiding, Rex B. Stratton, assistant cashier, Security Trust & Savings Bank, Billings, Mont.

"What's Ahead in '56?" by O. V. Wells, Administrator, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C.

Panel Discussions to be held concurrently:

Grand Ballroom

"Livestock—Which Way?"—William E. Drenner, moderator, vice-president and manager, Livestock Department, First National Bank, Memphis, Tenn.

Panel Members: Rex Beresford, professor of livestock marketing, Iowa State College of Agriculture, Ames, Iowa; Art Bralley, vice-president, The American National Bank of Amarillo, Texas; and Donovan E. Crouley, vice-president, Northwestern National Bank of Minneapolis.

Cotillion Room

"Current Developments in Dairying"—

Nicholas A. Jamba, moderator, vice-president, National Bank &

Trust Company, Norwich, N. Y.; Rex R. Bailey, president, Doane Agricultural Service, St. Louis; C. B. Bender, director of research in grassland farming, Sperry Rand Corporation, New York; Al J. Brown, vice-president, Security-First National Bank of Los Angeles, Fresno; M. M. Kimbrel, executive vice-president, First National Bank, Thomson, Ga.; and John L. Stauber, executive vice-president, Citizens National Bank, Marshfield.

Fourth Session

Friday, December 2, 1955, 2 P.M.
Grand Ballroom

Presiding, Dr. Tyrus R. Timm, head, Department of Agricultural Economics and Sociology, Texas A. & M. College, College Station, Texas.

"A Challenge to Credit Agencies: Rural Development Program—Great Plains Program," by True D. Morse, Under Secretary of Agriculture, Washington, D. C.

Bull Sessions—Some subjects to be discussed: Internal operations of farm departments; training programs; credit information; solicitation of new business; servicing agri-

cultural loans; promotional work; qualifications; compensation; duties and functions of agricultural representatives; and the relationship of the work of agricultural representatives to agricultural agency workers, farm organizations, and trust departments.

Fifth Session

Saturday, December 3, 1955, 9 A.M.
Grand Ballroom

Presiding, George H. Stebbins, president, The Simsbury (Conn.) Bank & Trust Company, Simsbury.

"Impressions of Russia" by Charles J. Hearst, Maplehearst Farm, Cedar Falls, Iowa.

"Water, Our Basic Need" by Dr. Albert E. Burke, director of graduate studies, Yale University Conservation Program, New Haven.

"Price Supports and Production Controls—'56" by Dr. O. B. Jesness, head, Department of Agricultural Economics, University of Minnesota, St. Paul.

"Agricultural Policy Issues" by Dr. Kenneth Hood, assistant secretary, American Farm Bureau Federation, Chicago.



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... in every department, may we suggest that you investigate our Protected Loan Plan. As the creators of Credit Life Insurance, we offer more than protection to your customers. We give you a month by month ... year 'round promotion and selling service, which helps you build more volume—and PROFITS—in every department.

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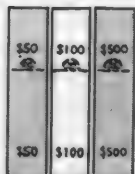
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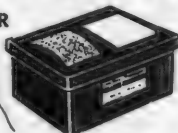


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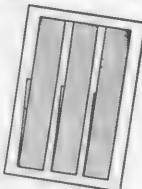
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The C. L. DOWNEY CO.
HANNIBAL, MISSOURI

News for Country Bankers

(CONTINUED FROM PAGE 70)

The average dollar farm loan volume handled per man equivalent in this study was \$492,690. . . .

"One would expect the man doing farm loaning to be farm reared. In fact, a farm background was the qualification most often causing a specific person to be hired for farm lending in this study. However, 44% of those actually employed at present as farm loan men were not farm reared.

"Although many men were called 'full-time loan men' only two spent 100% of their time making farm loans. Of the 57 farm lending men investigated, 46% spent one-half or less of their time in the farm loan field.

"Education appears important in the minds of the farm loaning men and bank management alike. Only four of the 57 men studied did not graduate from high school. Thirteen of the men graduated from a college or university, nine of these from an agricultural college. After entering the field, the men have continued educating themselves. Forty have attended the Farm Credit School and 37 the Bankers School of Agriculture. Other special banking schools and courses have been well attended by persons returning the questionnaire.

"The majority of the farm loan (CONTINUED ON PAGE 142)

Three hundred southeastern South Dakota cattlemen, in the midst of one of the state's severest drought areas, heard well known authorities discuss their situation at the second annual Feed Lot Conference in Mitchell, sponsored by the Mitchell National Bank. J. M. Patton, president of Mitchell National; Farmer Earl N. Ross; and H. C. E. Fick, assistant manager, field division, Doane's Agricultural Service, St. Louis, discuss the cattle raising business during the conference



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National Bank of Detroit."



More Friends Because We Help More People

NATIONAL BANK OF DETROIT

Member Federal Deposit Insurance Corporation

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BANK EXECUTIVE
RECOMMENDS
School Savings thru
SCHOOL THRIFT**



Mr. Robert F. Balsley, Vice President
The Old Second National Bank of Aurora,
Aurora, Illinois

Mr. Balsley tells of his bank's
experience with School Thrift
School Savings Programs.

"Our bank firmly believes in the
old fashioned virtue of thrift.
School Thrift service has proved
an efficient vehicle for our promo-
tion of school savings."

"Participation in this program has
been gratifying to us . . . to the school
people . . . the parents . . . and to
the children."

"We recommend to all banks a School
Savings Program and School Thrift Inc.
to make it function smoothly."

School Savings programs thru School
Thrift are simple . . . effective . . .
inexpensive. It is the system that has
ELIMINATED teacher detail.

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SYSTEMS**

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benefit from

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imitation leather or plastic
commercial passbooks and
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SAMPLES AND PRICES ON REQUEST

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(CONTINUED FROM PAGE 140)

men studied had previous experience before becoming responsible for farm loans. Twenty of them had worked elsewhere in a bank or with Federal credit agencies, while 10 had formerly been farmers. Six young men were engaged for farm loaning after the completion of high school.

"There was a wide range in the annual salary paid farm loan men and in the years of service involved. For their service, ability, and training, the farm loaning men are paid an average salary of \$4,775. This average is comparable to that paid to assistant and associate county agents in New York State in 1953.

"Over 96% of the farm loan men take loan applications, investigate and report, recommend action, and service loans. Twenty-one of the men have loan authority up to the bank's legal limit. But 14% of the farm loan men do not have loan authority. This means that in one-seventh of the cases either the farm loan man is not qualified to loan money, or is qualified but the bank management does not consider him so. Some situations of this kind may be due to bank official reluctance to relinquish loan authority to others."

"Ag"-Management Conference

How the banker—especially the banker in an agricultural community—can contribute to industrial development which will promote business for his entire area, both urban and rural, was considered at the 10th annual Illinois Bankers Agricultural-Bank Management Conference at the University of Illinois last month.

"The Banker's Role in Industrial Development" was discussed by San Francisco Industrial Planner Stuart Parry Walsh, at the luncheon concluding the two-day program.

More than 300 Illinois bankers attended the conference presented jointly by the College of Agriculture and College of Commerce and Business Administration in cooperation with the Illinois Bankers Association.

The first day was devoted to agricultural problems, with Don Paarlberg, assistant to the Secretary of Agriculture, speaking on "Subsidy, Parity, and the Farmer." Bank management problems were discussed on the second day's program.

Tribute to Minnesota BA

THE bankers of Minnesota were commended recently for their contributions to the "economy, beauty and conservation effort of the state" by the Minnesota Horticultural Society during the organization's annual meeting in Bemidji.

E. M. Hunt, St. Paul, secretary of the state society, in transmitting the official resolution and scroll of the society to D. E. Crouley, vice-president, Northwestern National Bank, Minneapolis, and president of the MBA, wrote: "The Horticultural Society is sympathetic with all movements which bear upon conservation and natural resources of the state. We congratulate you on the effective program you are pursuing in this direction."

The Society's resolution commended the Minnesota bankers for the purchase of tree planting machines and making them available to the citizens in about 50 counties; for the fact that 15,000,000 trees have been planted since 1952, "thereby contributing greatly to the economy, beauty, and conservation effort of the state"; for the generous contribution in time and energy of MBA members in planning and executing tree planting demonstrations and educational field days in their communities. The Horticultural Society highly commended the MBA and extended its thanks and appreciation for its contribution to the people of Minnesota.

Chairman of the tree planting program for the association is Kenneth Gay, president, Sturgeon Lake (Minn.) State Bank.

The less of it some persons have,
the more willing they are to speak
their mind.

*We sometimes wonder if nature
really made prunes more helpful
than strawberries.*

We're always a little suspicious of
those restaurants where the menus
are in French and the prices in dol-
lars.

*When a person sits around all day,
wondering why his pay isn't raised,
maybe that's the reason.*

If you say it with brakes, you
may save the flowers.

FDIC Refund Plan

(CONTINUED FROM PAGE 19)

formula under the Internal Revenue Code for setting up valuation reserves against existing loans should be continued even though it provides only limited protection to a limited number of banks.

"Losses on loans should be charged against the valuation reserves permitted under the regulations of the Internal Revenue Service to the extent that such reserves are adequate. Any losses on loans in excess of the valuation reserves would be chargeable to the general reserves of the bank arising from the proposed change in the FDIC formula of assessment.

"Under this formula in the year 1954, in addition to the 60% assessment refund of \$81,752,500, insured banks would have received the amount of \$54,501,666 for use as general reserves against losses in individual member banks.

"The strength of the FDIC rests not only on its own resources but on the strength of the member banks. Before the Corporation can sustain any loss as a result of its insurance of deposits in a bank, the bank itself must sustain a loss of: (1) its entire reserves, plus (2) its undivided profits, plus (3) its surplus, and plus (4) its entire capital. The strengthening of a bank's primary reserves and capital funds necessarily reduces the contingent liabilities of the insurance corporation.

"The net result of the proposed

formula will be for individual banks to set up as primary reserves against losses the 40% of net assessment income now retained by the Corporation instead of these funds being used as additions to the reserves of the Corporation. The proposed change in the formula will not change the taxable income of the banks nor the income tax revenues of the Federal Government. The same 40% of net assessment income now retained by the Corporation and charged as an expense by the operating bank will continue to be charged as an expense of the individual bank. The credit will be to the bank's own reserves for losses instead of by the FDIC to its reserves. There is no question but that the needs of the banking system will be served better and the protection to the Insurance Corporation will be greater if funds are used to increase the primary reserves of individual banks than if such funds are added to the contingent reserves of the Corporation.

"The reserves of the Corporation would continue to increase by the net amounts of investment income of the Corporation, which in the year ended December 31, 1954, amounted to \$37,323,214.

"I submit this program for your consideration and in the hope that bankers and the bank supervisory authorities, including the officers and the directors of the FDIC, and the Congress of the United States may, in a common effort, adopt it as being timely and desirable and in the public interest."

Mortgage Debt Related to Disposable Personal Income

"I have noticed recently in the public press that statements are made calling attention to the so-called 'huge' mortgage debt in the United States," said Charles R. Diebold, president, National Association of Mutual Savings Banks, at the 62d annual convention of the Savings Banks Association of the State of New York in Washington. "It is true," he said, "that the figure of \$83-billion owed by people on one- to four-family houses seems tremendous. But any such implication is misleading.

"To be realistic, one should consider people's ability to meet the

annual charges on this debt out of their yearly income. By this yardstick, the debt should be characterized as modest rather than as excessive. The public has a disposable personal income, after taxes, of about \$265-billion a year. If we consider interest charges on the home mortgage debt to be at the rate of 5%, and required amortization another 5%, then the annual debt charges are slightly more than \$8-billion. This amounts to a very small percentage of the total disposable personal income; actually, only about 3%. We must keep in mind the ability to service debt charges out of income rather than the total amount of the debt. . . ."

Mr. Diebold is president of The Western Savings Bank of Buffalo.



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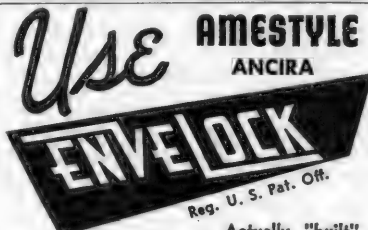
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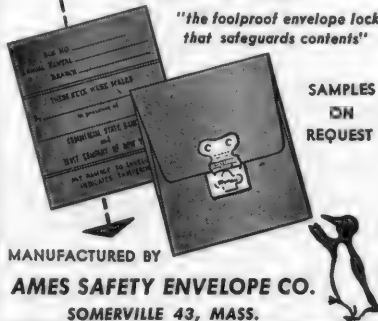
PROTECT —

Combinations of safes and vaults, etc.

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Safe Deposit, Master and Grand Master keys.

"the foolproof envelope lock that safeguards contents"



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Operating Procedures

(CONTINUED FROM PAGE 45)

they represent themselves to be.

(6) Use different individuals to open and close the institution.

This can make it difficult for experienced robbers to plan their crimes carefully.

Gadget Identifies Check Cashers

PERHAPS you've heard about the multi-lens electronic camera that

photographs the check casher, his check and identification. It's used by retail businesses and, we're told, by a number of banks.

The manufacturer, Security Electronics Corporation of New York, calls its product "universal check register." By the flick of a finger the merchant's cashier or other receiver has a permanent, complete record of every check presented. A highly sensitized film precludes the use of artificial light.

"Consumers willingly register their checks in the interest of courteous, speedy and efficient check

cashing," says the company. "The professional bad-check passer shies away from presenting his person to this equipment, for only one photograph is necessary to circulate his likeness and technique throughout the area."

Key Punch Adder System

PRODUCTION in the accounting department of The Farmers and Merchants National Bank of Los Angeles has been accelerated by use of a key punch adder system that couples a key punch with an adding machine, enabling the operator to indicate the amount of each check run through the system on the adding machine tape while simultaneously key punching each check.

The unit was developed by Systematics, Inc., of Hermosa Beach, Calif., to requirements outlined by R. V. Saums, operations analyst in the Farmers and Merchants trust department.

"By giving the operator a proof total on the adding machine that automatically corresponds with the total amounts of all checks that were key punched, the unit eliminates key verification or proof listing the checks in groups by running them through an accounting machine," says an announcement.

After-Hour Deposits

REPUBLIC NATIONAL BANK of Dallas has installed a new device that combines all types of after-hour deposit features in one unit.

A depositor using an envelope places it in a slot. Bag deposits are accommodated by a special mechanism which is controlled by a lock and key, and provides a larger opening.

The new device for after-hour deposits, handling either envelope or bag, is explained by the inventor, C. T. Massengill, to Miss Joan Wallace of the bank's staff



CONDENSED STATEMENT OF CONDITION

AT THE CLOSE OF BUSINESS OCTOBER 5, 1955

RESOURCES

Loans and Discounts	\$ 75,499,839.15
Customers' Liability Letters of Credit	271,591.11
Banking House and Fixtures	100,001.00
Future Banking Home	4,523,038.31
Other Real Estate	1.00
Federal Reserve Bank Stock	360,000.00
Investment Bonds	13,572,529.68
U. S. Obligations	53,881,742.51
Cash and Due from Banks	62,843,284.10
	<u>\$211,052,026.86</u>

LIABILITIES

Capital Stock	\$ 6,000,000.00
Surplus Fund	6,000,000.00
Undivided Profits, Net	2,518,883.42
Reserve for Dividends	412,500.00
Other Reserves	951,923.65
Letters of Credit	271,591.11
Deposits:	
Individual	\$156,994,973.10
U. S. Government	4,489,970.70
Bank	33,412,184.88
	<u>194,897,128.68</u>
	<u>\$211,052,026.86</u>

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OF HOUSTON

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BETTER BUSINESS METHODS

For Greater Profits
Through Lower Costs



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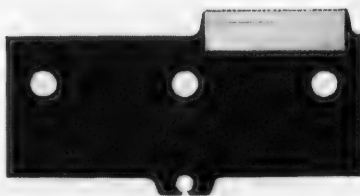
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One of life's nagging little things is writing your name and address several times on a Banking-By-Mail deposit form.

To eliminate customer irritation, one bank developed a real depositor service. Special deposit mailing forms are pre-addressographed with the customer's name and address.

A quantity of these prepared forms are kept on file — each customer's forms being identified by Tip Top Tab guides. The card inserts for the guides are, of



course, imprinted from the same addressograph plates as are the deposit forms. A form is mailed with each deposit receipt.

For free sample guides, circle Cat. No. 6459.19.

Loan and Discount Departments Save Time with the Remington 99 Calculator

The exclusive "memory key" on the 99 Calculator makes possible the fully automatic multiplication you need when using the interest rate as a constant to ascertain unearned and earned interest...no wonder the Calculator that Prints is popular in loan and discount departments.

Ordinarily it takes a rotary calculator and adding machine to handle mortgage loans but the 99 Calculator that Prints per-



forms solo. There's no transferring from calculator to adding machine when you use the 99. You do your totaling and listing on two-color printed tape on the Calculator that Prints.

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Peoples First National offers specialized facilities to banks with interests in the Pittsburgh area. Take advantage of the more than 20 correspondent services which are available at Peoples First.

If you are thinking of a Pittsburgh Correspondent, let us discuss your particular needs.



**PEOPLES FIRST
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BANK & TRUST COMPANY
Correspondent Bank Department
Pittsburgh 30, Pa.
Member Federal Deposit Insurance Corp.

Teen-Age Fund

(CONTINUED FROM PAGE 48)

the discount is 50 cents. There's a similar charge for \$15 for 10 weeks and \$20 for 12 weeks. A \$25 loan, with a life of 14 weeks, costs the young borrower 60 cents. The \$50 maximum runs for 24 weeks and the discount is \$1.50. Repayments are on a weekly schedule. The fund loans are serviced with the bank's Christmas Club accounts.

The Results

BANKING asked President Burke for an appraisal of the results.

"We have found," he said, "that it tends to overcome the old impression that a bank is a cold, impersonal, hallowed place about which children need not be informed and from which they are to keep away. We have found, too, that these new customers can be expected to be our old customers of the future.

"Since the plan was only in effect for one month of the last school year, we still have much to learn; but what we have learned so far has been good. It appears that about 10% of the applications will be disapproved by the student board because they feel the purpose is not

a good one; about 15% will be returned to the applicants with the board's recommendation that a new application be submitted for a more modest amount. While the purpose is good the board feels the applicant is being extravagant.

"The remaining 75% are approved; and of these we have only one or two cases of delinquency, which is to be expected in summer."

What Students Learn

Mr. Burke also noted:

"The committee learns something about banking and the responsibility of a bank board. Its examination of applications is done seriously, conscientiously, and often with more searching questions than bankers generally use. The borrowers get money they might otherwise obtain only through irregular methods.

"They also learn that banking isn't just saving, but borrowing as well—and that intelligent borrowing is good business."

The material used with the plan has been prepared by the bank stationery division of Arthur Thompson & Company of Baltimore.

Mr. Burke says neither he nor the Miners has a financial interest in use of the plan by others and that both will be "amply rewarded by its success generally."

The First Commercial Bank of Chicago has a \$1,000 "Teen-age Loan Fund" administered by a board of three high school pupils, with President Harold H. Stout serving as an adviser. The interest rate is 3% yearly. In the picture President Stout, left, watches as board members Edward Andrus, Judy Redman and Richard Sjolund approve the application of Idelle Leitner



*which
of
these*

insurance planning services

can you use?

- Survey of property and hazards.
- Factual presentation of your insurance experience.
- Advice on contracts to avoid unnecessary assumptions of risk.
- Engineering consultation on design of properties to reduce or eliminate hazards.
- Help in determining practicality of self-insurance.
- Assistance in selecting and developing types of insurance contracts best suited to your business.
- Assistance with underwriters in developing minimum insurance costs.
- Analysis of losses for rate negotiations or developments of blanket form contracts.
- Development of loss suppression measures resulting in ultimate savings in insurance costs.
- Current information on new coverages and changes in existing coverages.
- Planning, installation and administration of pension plans.

One? Two? More? ALL of these services are provided by Ebasco. And all or any of them are available to your bank or to your customers—now.

Ebasco's insurance specialists *do not sell insurance* of any kind. They provide expert, experienced and, most important of all, *unbiased and objective* assistance in solving the many complicated problems that arise in working out and maintaining a balanced insurance program.

Many bankers and businessmen have found that calling on Ebasco is the most effective and economical way to solve their insurance program problems. Why don't *you* call on Ebasco? We'll be glad to send you our booklet "How to Get the Most Out of Your Business Insurance Program." Write: Ebasco Services Incorporated, Dept. IC, Two Rector St., New York 6, N. Y.

1905 *Fiftieth* 1955
Anniversary



NEW YORK • CHICAGO • DALLAS
PORTLAND, ORE. • WASHINGTON, D. C.

Appraisal • Consulting Engineering • Design & Construction • Financial & Business Studies • Industrial Relations • Insurance, Pensions & Safety
Purchasing, Inspection & Expediting • Rates & Pricing • Research • Sales & Public Relations • Space Planning • Systems, Methods & Budgets • Tax • Washington Office

Public Relations

(CONTINUED FROM PAGE 48)

from 15 to 20 papers each week on account of our ad."

Goodwill via the Safe Deposit Department

OPPORTUNITIES are "limitless" for a well-run safe deposit department to earn goodwill for a bank, says Paul M. Becker, manager of the safe deposit division of the FIRST WISCONSIN NATIONAL BANK,

Milwaukee. He offers two examples:

"(1) A so-called simple safe deposit rental where you sell your customer on keeping his house in order; and (2) the superficially simple 'procedure in the event of death.'

"What greater opportunity," asks Mr. Becker, "has a bank to win—or lose—goodwill than when a bereaved widow approaches the safe deposit department to carry out the routine but necessary duties in connection with her husband's death? If your department has personnel and equipment able to accord her courteous, sympathetic and efficient service, it

can not only retain a satisfied customer, but it can secure for your bank a dynamic advertisement for all the services the bank has to offer.

"To determine the total impact, this example can be multiplied by the number of customers of the safe deposit department and their friends and acquaintances.

This is indeed a generous return on any bank's investment in this department. A poorly run department can cause the opposite result."

"Creative Banking" Ad Series

HARRIS TRUST AND SAVINGS BANK of Chicago ran a series of newspaper ads that emphasized "Creative Banking." Defining this as "the vision to see, the background to understand, and the will to act," the bank said "These are the things we try to have constantly available to you."

No illustrations were used. The typography was attractive. Copy was addressed to a number of individual types or situations:

"The firm that is looking five years ahead"; how a bank can help a business expand its market; why the present is "a particularly good time to start saving at Harris Bank"; the young man about to start in business; the company that's beginning to "feel its age"; and "the most important man you will ever hire"—the executor and trustee of your will.

Ads Feature Murals

FIRST NATIONAL BANK OF ARIZONA, completing a new head office building in Phoenix, used nine newspaper advertisements to give the public a preview of the murals that decorate one wall of the nearly block-long banking room.

The theme of the paintings by Jay Datus is "Progress."

The bank had color photos made of certain details of the pictures, and also some black and whites. Plates for the ads were made from the latter, and thrice etched so that the color values would be retained.

A brief description of the picture reproduced the halftone in each advertisement.

WHETHER YOU'RE A CORRESPONDENT BANK OR NOT:

Give Us A Job To Do

Send us your toughest problem . . .
Phone LAfayette 3-6800, ask for Correspondent
Banking Service and get action—fast!

The National Shawmut Bank

40 Water Street, Boston



Insure Security / with EXPANDING MAILERS.

Designed to carry a "full load"

You save registry fees, postage, and time too.

**EXTRA STRONG KRAFT PAPER
HEAVILY GUMMED FLAPS and SEAMS
EXPERTLY CONSTRUCTED**

Ideal to use when mailing:

- Bulky transit items
- Stocks and bonds
- Defense Bond record cards
- All valuable papers

WRITE FOR SAMPLES

CURTIS 1000 INC.

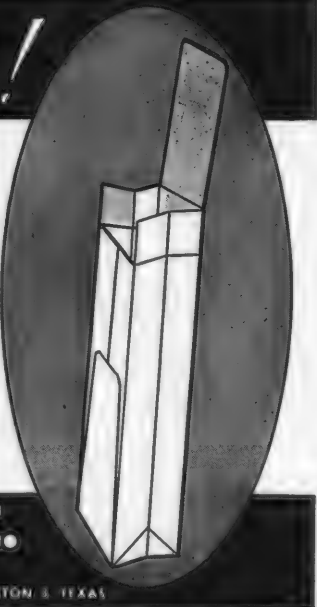
HARTFORD 6 CONN

ST PAUL 4 MINN

CLEVELAND 14 OHIO

ATLANTA 6 GEORGIA

HOUSTON 3 TEXAS



Economic Policy

(CONTINUED FROM PAGE 43)

deed, a large portion of the responsibility for avoiding unsound credit extension lies with governmental agencies and with nonbank lenders, especially in the fields of real estate and consumer credit.

It is also a responsibility of banks and other lenders to counsel with prospective borrowers and to urge them to be prudent with respect to their borrowing and spending.

Large changes in business inventories have frequently accentuated the fluctuations in our economy. This is something which the monetary authorities and the banks can influence only to a limited extent. During a period of marked prosperity, the avoidance of a disruptive inventory boom calls for self-restraint on the part of business management.

Unwise policies with respect to wages can have seriously destabilizing effects upon the economy. Management and labor share a responsibility to the public to avoid too rapid wage increases which would raise living costs for every one and could undermine economic stability.

Excessive speculation in the stock market has on numerous occasions led to trouble for the entire economy. The developments of the past year emphasize the need for continuing to guard against a repetition of this familiar pattern.

To contribute to the stability of the economy at a time such as this, the Federal budget should be showing a surplus. Over the coming year, numerous proposals will doubtless be made for slashing taxes and increasing Government spending. In the interest of all the people, pressures which would lead to continued budgetary deficits during a period of high economic activity should be resisted.

These are five areas that particularly deserve careful watching over

We can fly jet airplanes, broadcast color television, and make atomic power, but we're not sure how to bring up children.

The modern teenager is as old as her mother tries to look.

the period ahead. But they are not necessarily the only ones. Others could easily develop.

Vigilance, therefore, will be needed, not only with respect to these five areas, but with respect to all segments of the economy. In general, the problem is to avoid excesses. Today the main thing we have to fear is overoptimism.

This is a situation that calls for prudence. We should all strive to keep our enthusiasms tempered with an admixture of realism and self-restraint.

The times also require a sense of social responsibility on the part of

those who shape policies in our economy. Bankers, business men, union leaders, and public officials should be constantly aware of the economic implications of their actions. The need is for statesmanship.

No one can doubt the great promise of the American economy over the years ahead. We cannot expect that our economic progress will at all times be smooth. By exercising caution during prosperous periods, however, we can greatly moderate the swings in our economy.

The time for vigilance, therefore, is now — now, and from now on.


The three R's of banking...

Reliable
Reputable
Responsible

... assure your Chicago accounts of service that is prompt, efficient, and complete. Let our facilities, reputation and knowledge of Chicagoland commercial requirements work for you.

facilities for correspondents

CITY NATIONAL BANK
AND TRUST COMPANY of Chicago
208 SOUTH LA SALLE STREET
(Member Federal Deposit Insurance Corp.)



do you need—

dime and quarter savers, book-type, printed in various colors

SAMPLES AND PRICES ON REQUEST

WILLIAM EXLINE INC.
1270 ONTARIO STREET, CLEVELAND 13, OHIO

Directors who read

BANKING

are better able to direct!

MIT

Dividend Announcement

Massachusetts Investors Trust

DECLARES ITS

124th Consecutive Dividend

26 cents a share, from net income, payable October 25 to shareholders of record September 30, 1955.

ROBERT W. LADD,
Secretary

200 Berkeley Street, Boston



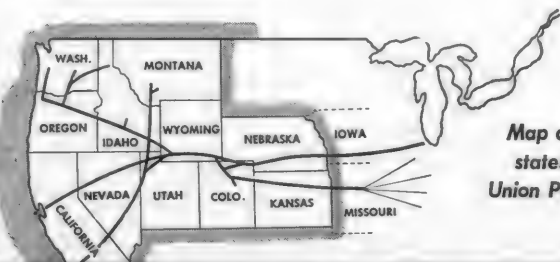


The Union Pacific serves a number of western states as pictured on the map. This vast territory contains an abundance of natural resources in addition to being a healthful, progressive region in which to work and live. As you know, it offers boundless opportunities for outdoor recreation.

If you're thinking about an assembly plant, warehouse, distribution center, or whatever it might be, in a western locality—then we offer this suggestion—

Contact your nearest U.P. representative. Tell him what you have in mind regarding an industrial site to meet your specific requirements. Then he can get in immediate touch with U. P. headquarters in Omaha . . . obtain for you the information you want about available sites.

Or—if more convenient—write, phone or wire the Industrial Properties Department, Room 360, Union Pacific Railroad, Omaha 2, Nebraska.



Map at left shows states served by Union Pacific Railroad

UNION PACIFIC RAILROAD

DRIVE-IN

(CONTINUED FROM PAGE 60)

"The Merchants has long been especially interested in dairy farming. We arranged with local breeders' associations to have cows on the lawn. Regular morning and afternoon milking times were set—and the people came to watch. They told their friends, too.

"Later, a miniature railroad train was installed; it gave free rides to children who, of course, took the news home and spread it among their pals.

"In addition to these more dramatic displays, the space is often made available to car dealers for showing their new models. With each attraction, new 'salesmen' are 'hired,' free of charge, to sell our wares."

Soon after the drive-in opened a customer wanted shiny new silver coins. This was a problem, but the bank met it by washing and powdering old coins. All silver is thus treated; everybody gets "new money" at this office.

"This service," notes Mr. Blair, "is constantly receiving comment throughout the community. I recently overheard a conversation at a country club between a cashier and a member. In returning change, the cashier handed out bright, shiny silver. The other person said, 'How nice to have clean money.' The cashier then said, 'You always get clean coins like this at the Merchants bank drive-in.'"

At the drive-in the Mothers' March on Polio is an annual feature. The bank's building is used as headquarters, and radio and TV reporters set up their equipment to report the progress of the collection to the community. As returns come in from the city and county, the cash is counted by volunteers from the Merchants' staff, and totals are prepared and handed to the commentators.

"We feel," says Mr. Blair, "that this promotion not only gains free salesmen for the bank, but also indicates dramatically the interest banks show in community welfare."

He reported on the Merchants' program at the Graduate Bankers Public Relations Seminar conducted by the New York State Bankers Association.

Convention

(CONTINUED FROM PAGE 84)

to borrowers, large and small, than ever before; that competition between banking institutions during recent years has increased, and is continuing to increase."

And A. L. M. Wiggins, chairman of the Bank of Hartsville, Hartsville, S. C., a former president of the Association, told the State Bank Division:

"A study of the history of banking over the past 20 years shows that there is justification, in the public interest, for most of the consolidations, mergers, acquisitions, and branch extensions of banks that have taken place. Many of them have resulted in stronger institutions and a better and more convenient banking service to the public.

"However, all such developments are not necessarily good. The problem is to find satisfactory yardsticks that will measure the good and the bad. In one respect, it is difficult to find such a yardstick because of the wide variation in public opinion among the various states as to the policies that should apply in the control of multiple banking."

The banking business, he said, "has no choice but to bank on democracy and provide services and facilities that will merit support of public opinion."

"Diseases" of Free Enterprise

Possible "diseases" that can attack the free enterprise system were suggested by Clarence B. Randall, chairman of Inland Steel Corporation, in an address at the second general session. He mentioned failure of the businessman honestly to live up to the code of vigorous competition; the businessman who seeks Government subsidy; and failure or inability of an American business to operate without a high protective tariff.

"You cannot benefit one segment of the American people by a high protective tariff unless some other segment of the American people pays for it," said this industrialist.

"Most of the business world wanted President Eisenhower to be elected," he said. "Few have supported his policies. Reflect on that. There is an obligation on the part of the businessman to take his part at the



BOARD of DIRECTORS

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Chairman

James E. Shelton

President

Chester A. Rude

Chairman

Executive Committee

Lloyd L. Austin

Vice President

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Attorney

Shannon Crandall

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California Hardware Co.

Thomas A. J.

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Attorney

Paul D. Dodds

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President, Consolidated

Engineering Corporation

Robert E. Gross

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Maynard McFie

Investments

John O'Melveny

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John J. Pike

President

The Republic Supply Co.

of California

Elbridge H. Stuart

President, Carnation Co.

Milton M. Teague

Vice President and General

Manager, Limoneira Co.

Edward R. Valentine

Chairman of the Board

and President,

Robinson Building Co.

C. T. Wienke

Vice President

John C. Wilson

Surgeon

THE RUBBER INDUSTRY in the Los Angeles Metropolitan Area is a major economic activity, with an annual payroll approximating \$70,000,000. This district is the second largest tire and tube production center in the nation (after Akron, Ohio). Los Angeles accounts for about 6 per cent of all U.S. rubber industry employment, and more than 90 per cent of all California workers in rubber. Average weekly earnings of production people exceed the national rubber industry average by 21 per cent, and the Los Angeles area all-manufacturing average by 20 per cent.

Although tire and tube making account for the bulk (68 per cent) of the employment here, non-tire rubber products total 37 per cent of new rubber consumption. Largest single item of the non-tire group is foam rubber, used by the automotive, aircraft and furniture industries. Other categories include footwear, hose, gaskets, belts, wire and cable, non-tire automotive, flooring, household and appliance, drug sundries, and miscellaneous.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES

FOUNDED 1875

STATEMENT OF CONDITION

SEPTEMBER 30, 1955

RESOURCES

Cash and Due from Banks	\$ 407,034,763.40
U. S. Government Securities	\$1,052,598,968.23
State and Municipal Securities	72,692,712.34
Other Bonds and Securities	31,900,721.54
Loans (less reserves)	557,119,319.56
Earned Interest Receivable	7,216,075.72
Customers' Liability—Accept. and L/C	3,970,946.58
Bank Premises	3,769,500.49
Other Assets	183,389.60
TOTAL	\$2,136,486,397.46

LIABILITIES

Capital	\$ 50,000,000.00
Surplus	50,000,000.00
Undivided Profits ..	40,500,357.31
Reserves for Interest, Taxes, etc.	19,129,342.34
Interest Collected—Unearned	4,605,258.07
Acceptances and Letters of Credit	3,970,946.58
Other Liabilities	291,286.75
Deposits—Time	\$ 610,793,007.24
—Demand .	1,357,196,199.17
TOTAL	\$2,136,486,397.46

Securities carried at \$216,584,152.24 are pledged to secure trust funds and U. S. Government, State and other Public Moneys, and for other purposes as required or permitted by law.

143 Offices and Branches serving Central and Southern California

Member: Federal Reserve System, Federal Deposit Insurance Corporation

local, state, and national level in making our republican form of government work. Before he condemns the nitwit, the bureaucrat in Washington, let him ask himself if he knows what he is talking about. I have found more dedicated, selfless men among the bureaucrats in Washington than I know in business."

A Favorable Climate

The former chairman of the Planning Board of the National Security Council, Robert Cutler, now chairman of the Old Colony Trust Company, Boston, said that the Eisenhower Administration had changed

at the highest level the emphasis and direction of national security policy. A different concept has been activated: "for the safety and survival of the Republic in the doubtful years that lie ahead, the possession of military might alone is not enough; of equal importance is the maintenance of an expanding economy, strong enough to support not only the demands of military defense but also of civilian growth and progress."

The effect, Mr. Cutler continued, has been to create a climate "favorable to the vitality and expansion of private enterprise" and to relate closely the economies of the Free

World countries to the economy of the United States. "Today the Free World countries are a better credit risk than the Soviet satellite countries."

NATO's Hardest Time Coming

The convention's four-star guest was General Alfred M. Gruenther, Supreme Commander, Allied Powers Europe, who flew in from Paris to make a "progress report" on the defense of Europe.

Speaking just before the convention adjourned, General Gruenther said he didn't believe there'd be another world war. Summing up the problems of his command, he said the task was to base NATO's plans on "enemy capacity" to strike.

"When the German forces are effective, and assuming that we can have the use of new weapons, we shall be able to solve this problem; that will be roughly in three or four years," he asserted.

"I think that the hardest period is coming now. We had great difficulties in the first four and a half years of NATO, but we had one big advantage, and that was that the Free World was united by fear, a cement that held us together but which is gradually disappearing now, because under the 'smile' campaign [of the Russians], under the tendency which is developing to relax, we are up against very tough opposition. In the period we are going to face in the next few years it will be much more difficult to get that unity, and to continue the sacrifices necessary in this type of competition."

Los Angeles in '56

Well, this story about A.B.A.'s No. 81 could go on, and on, and on. Matter of fact, it does go on, in several other stories.

But if we don't stop this one pretty soon there won't be room to tell you that Convention No. 82 will be held in Los Angeles, October 21-24, 1956. The Los Angeles Clearing House Association will be host.

Announcement of the place and dates was one of the first official acts of President Florence.

An advertisement says homes are cleaner than they were a generation ago. Well, for one thing, they're used less.

GROWTH

The DeLuxe organization—a "middle sized" corporation—has engaged exclusively in the printing of bank checks for exactly forty years this month. Not a long span as we measure corporate life, but long enough to become rich in experience. Long enough to grow from a tiny print shop to a multiple-plant operation employing over eight hundred people and serving each year more than twelve thousand banks.

Our growth has come slowly and steadily, and has not been due to mergers or acquisitions. We could perhaps have expanded faster had we been interested only in becoming big. Instead, our objective has been to serve and, because we have served well, we have enjoyed a fairly healthy growth.

The ownership of our company is not concentrated in a few hands

but rather is spread among 330 stockholders, most of whom are employees or their immediate families. The largest stockholder is our Employees' Profit Sharing Trust, which presently has 13% of its funds so invested. In effect, therefore, every DeLuxe employee shares in company ownership as he qualifies for the Trust after two years of service.

This statement would be of little interest were it not for the wave of mergers now sweeping the country. We feel impelled to tell our customers that we are not merging, selling or buying, and at the same time tell our own employees that they can with some confidence look forward to continued participation with the DeLuxe people they know and understand. If we continue to grow, it will be accomplished with the same consistent policies that have brought us to this fortieth milestone.



Manufacturing Plants at: CLIFTON, PAOLI, CLEVELAND,
INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL

Small commitments are growing. This is new opportunity. **FORWARD MOVING** will make these young people your valued customers. Let our experience and low cost program help you.

EDUCATIONAL THRIFT SERVICE
22 PARK PLACE, NEW YORK 7, N.Y.

do you need—precision-made machine and hand posting passbooks

SAMPLES AND PRICES ON REQUEST

WILLIAM EXLINE INC.
1270, ONTARIO STREET, CLEVELAND 13, OHIO



Building: First National Bank in Dallas; Architect: George L. Dahl, Dallas, Texas.

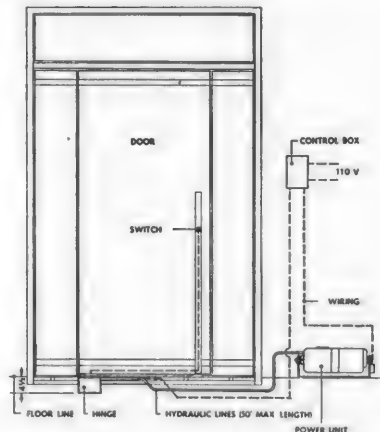
Doors open at a touch— with the PITTCOMATIC!

“PITTCOMATIC” . . . the password that opens doors automatically!
At just a light touch, it opens even the heaviest of doors.

All this is done through a simple hydraulic principle, as explained in the diagram shown here. No critical adjustments are involved. The Pittcomatic requires no periodic attention, once the controls are set. It's a double-acting power hinge, entirely self-contained, without visible operating mechanism. The Pittcomatic operates on 110-volt house current. Its one-third horsepower motor runs as inexpensively as the conventional home refrigerator.

The Pittcomatic is available for both handle and mat operation. When installed with mat operation, the Pittcomatic is particularly suitable for entrances where remote activation is often desirable. For detailed information, fill in and return the coupon.

PITTCOMATIC®
... *the nation's finest*
automatic door opener



Pittsburgh Plate Glass Company
Room 5417, 632 Fort Duquesne Blvd.
Pittsburgh 22, Pa.

Without obligation on my part, please send me complete information on the Pittcomatic door opener.

Name

Address

City State



PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS • FIBER GLASS

PITTSBURGH PLATE GLASS COMPANY

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED



FRANKLIN SAVINGS BANK
New York City, N.Y.

Monumental Banks

require work illumination just as much as the branch office. But different means are required to provide proper lighting where and when you need it, while keeping and enhancing the architectural integrity of your interior.

The Rambusch Organization's business is to assist you in planning, and executing lighting and/or decoration under one management thus avoiding divided responsibility and confusion. Without obligation, you are invited to contact any of our 100 representatives—one of whom is near you—or our main office directly in order to obtain our illuminating and decorating services. A study of your banking offices will reveal how much you can gain in customer attraction and staff efficiency through proper visual conditioning.

The important Franklin Savings Bank in New York charged the Rambusch organization with the lighting and decorating of its well-known interior. May we be given the opportunity to serve you?

RAMBUSCH

40 West 13th Street, New York 11, N.Y.

New Books

GOVERNMENT FINANCE AND FISCAL POLICY IN POST-WAR BRITAIN. By *A. R. Ilesic*. Staples Press, London; John deGraff, Inc., New York. 274 pp. \$5. The author discusses the effects of taxation upon the national economy, and the "cheap" and "dear" money experiments.

ECONOMIC ACCOUNTING. By *John P. Powelson*. McGraw-Hill, New York. 491 pp. \$7.50. A new textbook in accounting principles for students of economics and the liberal arts, by the assistant chief of training, International Monetary Fund.

TRUCKS, TROUBLE, AND TRIUMPH. By *Wayne G. Broehl, Jr.* Prentice-Hall, New York. 219 pp. \$5.50. The history of the Norwalk Truck Line Company.

HOW TO LIVE WITH YOUR INVESTMENTS. By *Linhart Stearns*. Simon and Schuster, New York. 142 pp. \$2.95. An investment counsel and economic adviser writes about the emotional and psychological factors that are to be taken into account in the investment of money. Mr.

Totton Collection
Just at presstime **BANKING** received a copy of **TALKS AND STORIES OF FRANK M. TOTTON** (Associated Press, New York). Compiled by his wife, this collection of the late banker's inspirational messages and humor will be reviewed next month.

Stearns believes that "the investor's own emotional and temperamental make-up is a factor not only in deciding on a policy likely to be worry-free but also in attaining that contentment which a dollar-and-cent success is expected to assure." His book focuses on the interplay between economic and psychological considerations, and how emotion and temperament can influence decisions.

TRADEMARK MANAGEMENT: A GUIDE FOR BUSINESSMEN. United States Trademark Association, New York. 120 pp. \$5. A comprehensive, nontechnical review of the subject, including policy steps of selection, registration, correct use, protection, and the problems of a U. S. trademark owner in foreign markets.

Ten Russian housing officials, guests of the National Association of Home Builders, spent October touring housing projects in more than a dozen American cities, with particular attention to apartments and multi-family construction. Shown in the picture are some of the Communist officials inspecting a North Springfield, Va., development, where more than 200 houses are being built simultaneously. They showed great interest in such varied matters as earth moving equipment and architects' fees, according to one report, got down on their knees to peer up into chimneys and thumped their fists loudly on walls and steel doors. They attended the formal opening of the National Housing Center in Washington on October 3, where British and Canadian delegations were also present



UNITED PRESS

BANKING

Monetary Policy

(CONTINUED FROM PAGE 41)

easily available in their communities. Seventy-seven percent of them answered "yes," and the great majority of these specified that this easy credit is being made available by various types of nonbank lenders.

Consumer credit and real estate credit are the two sore spots. Of all reporting banks, 62% mentioned various types of consumer credit, especially automobile loans, as being too easy, and 31% mentioned real estate credit. Only 4% mentioned other types of credit.

As shown by Map A, reports on consumer credit vary considerably by states.

In some localities there has apparently been a growing tendency for people to borrow imprudently. Bankers were asked to estimate how many people in their communities have been increasing their personal debts unwisely over the past year. Here is the distribution of their answers:

"Few or none"	21%
"Some"	66
"A considerable number"....	13

As for real estate credit, 41% of the bankers who contributed to the survey reported indications that easy mortgage credit may encourage overbuilding of dwelling units in their localities within the next 12 months. Here again the pattern differs by states, as shown by Map B.

The situation adds up to this: Bank credit is in generally healthy condition throughout the country but certain types of nonbank credit are not. This obviously poses some hard questions for the Federal Reserve authorities: Just how dangerous to the economy are these soft spots in the credit picture? Will the delayed effects of various moves already taken eventually remedy this situation? Or does it warrant additional restrictive measures at the risk of putting too much pressure on bank credit?

Appraisal of Monetary Policy

The great majority of bankers think that to date the monetary policy followed by the Federal Reserve authorities has been "about right." The average banker, of course, is not in a position to pass expert judgment on monetary policy on a na-

tionwide basis but he is an expert on credit conditions in his own locality.

Bankers participating in the A.B.A. survey were asked for their appraisal of Federal Reserve policy under existing conditions from the standpoint of the public welfare. Here are the results:

"About right"	70%
"Still too easy"	22
"Too restrictive"	3
No opinion	5

It is obvious that a "perfect" overall policy for the nation as a whole would look too restrictive in some localities and too easy in others. One could say, therefore, that the 3% regarding monetary policy as too restrictive offsets an equal number of those who regard policy as being too easy. On this basis, the results indicate a "net approval" totaling 76% of all reporting bankers. This amounts to 80% of those who expressed opinions on the subject.

That is an impressive endorsement. In fact, it may be even stronger than the figures indicate. It could easily be argued that monetary policy should always err in the direction of avoiding too much restriction. On the other hand, it may be that some bankers expressed approval of current policy partly because of their confidence in the ability and judgment of the Federal Reserve authorities.

What is the significance of the minority opinion that Federal Reserve policy is still too easy? The pattern of these answers by states suggests that these bankers are especially concerned with the possible consequences of the easy terms of consumer and real estate credit offered in their localities by various nonbank lenders. From where they sit, these bankers believe that some additional restraint may be needed to remedy this situation. So there you are for what it may be worth, a minority opinion.

It should be borne in mind, of course, that several moves have already been made toward correcting the excessive ease in these types of credit. The Federal Reserve authorities have been exerting some "moral suasion" in both areas. Also, the Veterans Administration, the Federal Housing Administration, and the Home Loan Bank Board have all taken some steps—though not exactly giant steps—in the di-

rection of bringing mortgage credit under better control. Many observers believe that these moves have already had some salutary effects and that their beneficial influence may be felt increasingly over the months ahead.

Monetary Policy on Trial

The credit situation today illustrates both the usefulness and the limitations of general monetary policy. Since the end of 1954, Federal Reserve policy has curbed the expansion of the money supply, largely through its influence on the volume of bank investments, and it has also encouraged greater selectivity in lending on the part of commercial banks. It has doubtless had some restrictive effects in other areas not covered by the A.B.A. survey. On the other hand, it has not, at least to date, corrected the excessive ease in certain important types of nonbank credit.

This is not, of course, a new situation. It has developed, to a greater or lesser degree, during almost every boom. Opinions differ as to how seriously it limits the effectiveness of monetary management and as to what, if anything, should be done to remedy it.

In any event, it is apparent that monetary policy is again on trial. Its record in recent years, generally speaking, has been excellent. In view of this record and the high calibre of the men who formulate Federal Reserve policy, there is basis for confidence that monetary policy will emerge from its present test with flying colors.

Neither the bankers nor the monetary authorities have any illusions that credit control alone can assure stable prosperity. There are many unstabilizing economic factors that credit measures cannot always correct or offset. Unfortunately, many people do not appreciate this fact and often blame the Federal Reserve authorities—and bankers too—for developments which they do not have power to prevent. Moreover, any attempt to moderate a boom is bound to be unpopular in some quarters. For these reasons, monetary policy always needs public understanding and support.

One thing, at least, is clear: In their efforts to promote economic stability, the Federal Reserve authorities have the overwhelming support of the nation's bankers.

IDEAS for READERS

A special service of BANKING'S Readers' Information Bureau

NO OTHER WORD continues to mean so much to banks in the handling of the vast amount of operating detail as "automation." New and improved products of every kind continue to come from manufacturers' laboratories and production lines to meet bank and bank clients' needs.

Some of these are presented here, and readers may get further details about them from Readers Information Bureau, BANKING, 38 S. Dearborn St., Chicago 3.

National Postronic Picks up Old Balances

The Postronic Bookkeeping Machine, newest mechanized accounting device in the National Cash Register Co. line, makes possible the automatic pickup of old account balances on conventional bank forms for a new degree of accuracy and speed.

The machine picks up and verifies account selection and balance and decides if account is positive or an overdraft and handles it accordingly. It also picks up and verifies the check account and aligns form to next proper posting line.

The Postronic automatically signals any of several operator errors

The National Postronic Bookkeeping Machine automatically handles many operations where errors are most likely to occur. Picks up old balances electronically



and refuses to operate further until error is rectified.

While applying the speed and accuracy of electronics to scores of bookkeeping operations, the machine makes use of standard printed records. Field tested for a number of years in actual bank installations, production will begin early in 1956.

Complete information from: National Cash Register Co., Dayton 9, Ohio.

Does Color Help Increase Job Efficiency?

Most, if not all, of the research on color as a means for increasing job interest and efficiency shows that the "bright and cheerful" surroundings of carefully color-designed walls, ceilings, floors, and lighting can be made more effective if it is carried into office furniture and equipment.

Nor is the effect of color upon employees the only one to be considered, say authorities. Customers, too, are favorably impressed.

The Royal Typewriter Company, 2 Park Avenue, New York 16, has made available a line of Royal Electric Typewriters in a variety of pastel shades and with a number of operating improvements. They have the facts on color in typewriters and it might pay to check them.

Flexi-Cool Is 1956 Worthington Air Conditioner

Designed to meet the air conditioning needs of small banks and business buildings, as well as homes and stores, the new Flexi-Cool Air Conditioner for 1956 has been announced.

The cooling cycle section of the unit may be added to an existing heating unit or used as a complete air conditioner with duct work extended to area to be cooled. Available in 2, 3, 5, and 7½ hp sizes, the Flexi-Cool can be connected to an air-cooled condenser where water is



Flexi-Cool Air Conditioner for 1956 can be installed horizontally or vertically under limited space conditions in small buildings

scarce. It has wide flexibility for installation in limited space.

Manufactured by: Worthington Corporation, Harrison, N. J.

"Teller Vision" Tunes in Protection

Closed circuit television is combined with robot-like bandit alarms (CONTINUED ON PAGE 158)

Monitrol Teller-Vue combines 17-in. television screen with cash drawer, hold-up alarm, and cash protection system



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112 OFFICES IN GREATER NEW YORK

Statement of Condition, September 30, 1955

RESOURCES

Cash and Due from Banks	\$ 791,030,757.93
U. S. Government Securities	758,495,910.57
U. S. Government Insured F. H. A. Mortgages	73,263,731.91
State, Municipal and Public Securities	193,958,135.06
Stock of Federal Reserve Bank	4,511,700.00
Other Securities	38,031,612.89
Loans, Bills Purchased and Bankers' Acceptances	992,177,249.88
Mortgages	27,968,057.00
Banking Houses	18,125,966.43
Customers' Liability for Acceptances	19,144,054.60
Accrued Interest and Other Resources	8,867,779.65
	<u>\$2,925,574,955.92</u>

LIABILITIES

Capital (2,519,500 shares—\$20. par)	\$ 50,390,000.00
Surplus	100,000,000.00
Undivided Profits	45,281,586.54
	<u>\$ 195,671,586.54</u>
Reserves for Taxes, Unearned Discount, Interest, etc.	23,143,753.70
Dividend Payable October 15, 1955	2,015,600.00
Outstanding Acceptances	19,700,265.76
Liability as Endorser on Acceptances and Foreign Bills	15,515,777.11
Other Liabilities	1,589,465.55
Deposits	2,667,938,507.26
	<u>\$2,925,574,955.92</u>

United States Government and Other Securities carried at \$143,460,867.69 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

Member Federal Reserve System
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WHY PASS UP EXTRA COMMISSIONS?

Leading passbook manufacturers now has several territories open for aggressive men selling on banks to sell all types of passbooks and pocket check books. Commission basis.

WILLIAM EXLINE INC.
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(CONTINUED FROM PAGE 156)
in the Monitrol Teller-Vue, shown for the first time at the recent American Bankers Association convention.

The unit contains a television receiver, currency tray, two-way loudspeaker, and an alarm system. The unit is 42 inches high, 30 inches long, and 20 inches wide.

Monitrol Teller-Vue can be installed at drive-in or walk-up windows, or at the conventional teller stations inside the bank. It permits the centralization of all records but gives each teller direct contact with signature and bookkeeping departments for instant verification.

If a teller is compelled to remove money against his will, or if a thief grabs a handful of bills, any one of several alarms will instantly warn that a robbery is taking place.

Complete details from: Mosler Safe Co., 320 Fifth Ave., New York 1, N. Y.

New Electric Folder Will Fold Six Ways

The Model 57 A. B. Dick Folder, just announced, is designed to pro-

vide a wide range of folding variety for bank letters, forms, printed pieces, statements, etc.

Six folds may be had from the same machine by a simple adjustment and with easy, fast operation.

Up to 150 pieces per minute can be folded. Simple operating instructions are attached to the machine.

Product of: A. B. Dick Company, 5700 W. Tuohy Ave., Chicago.

The new A. B. Dick Model 57 Folder is dial operated, makes six different folds, turns out up to 150 pieces per minute



Statement of Ownership

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233), SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF BANKING, JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, published monthly at Philadelphia, Pennsylvania, for October 1, 1955.

¶ 1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, The American Bankers Association, 12 East 36th St., New York 16, N. Y.; Editor, William R. Kuhns, 12 East 36th St., New York 16, N. Y.; Managing editor, William P. Bogie, 12 East 36th St., New York 16, N. Y.; Business manager, Merle E. Selecman, 12 East 36th St., New York 16, N. Y.

¶ 2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) The American Bankers Association, 12 East 36th St., New York 16, N. Y. (A voluntary unincorporated association of banks); Fred F. Florence, President, Republic National Bank of Dallas, Dallas, Texas, Pres.; Merle E. Selecman, 12 East 36th St., New York 16, N. Y., Executive Manager.

¶ 3. The known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

¶ 4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

¶ 5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

WILLIAM R. KUHN, Editor

¶ Sworn, to and subscribed before me this 1st day of October, 1955.

¶ Elizabeth Rautanen, Notary Public, State of New York, No. 31-8503250. Qualified in New York County.

¶ (My commission expires March 30, 1956.)

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Beverly Hills, California

Architect and Engineers:
Welton Becket, F.A.I.A.
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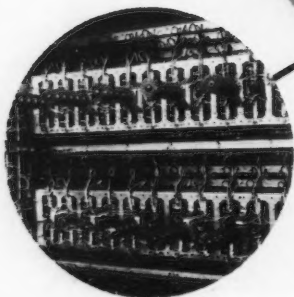


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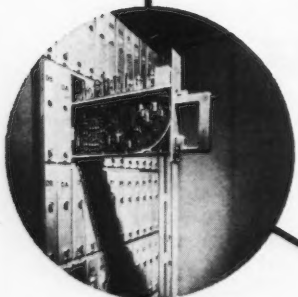
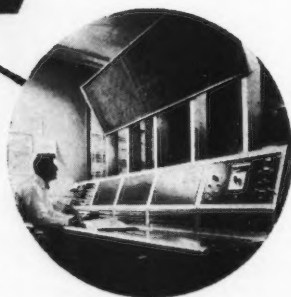


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ERMA was developed by Bank of America after more than five years from an idea first suggested by one of the Bank's executives. The first ERMA will serve Bank of America branches in San Jose, California. It will be followed by others.



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ERMA contains 34,117 diodes, 7,879 vacuum tubes and 1,000,000 feet of wire. It generates enough heat every hour to warm 3 eight-room homes and is cooled by its own air conditioning system capable of manufacturing 25 tons of ice per day.



BANKING'S ADVERTISERS

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During the 75 years since its inception, The Fuji Bank, Ltd. has been a major factor in the economic growth of Japan. We are proud of our reputation, both as a bank for everyone as well as for our leadership in fostering international trade and commerce. On the occasion of our 75th anniversary, we look forward to a future of even greater understanding and economic progress among nations.

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The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 35)

dent's Council of Economic Advisers, described the functions of the Government's leadership in these words:

"The prevention of inflationary developments and their aftermath is to everyone's real interest and, therefore, in a sense is everyone's responsibility. But it is precisely because this responsibility is so widely diffused among business firms, trade unions, consumers, and financial institutions that the Federal Government must assume leadership.

"Governmental measures of monetary and fiscal restraint are too austere to be popular. The manufacturer who sees an opportunity to expand his activities by borrowing cannot always understand why his bank is so short of funds that he must put up with a smaller loan than he requested. Nor can the homebuilder or merchant or consumer. Nor, for that matter, can the banker. To each participant in the economic process a shortage of credit appears in the first instance as a restriction on his own opportunities. When the Government has been restraining the growth of credit, it seems natural to blame the Government for a failure to accomplish all that had been planned.

"What individuals who reason in this fashion fail to realize is that the basic shortage under conditions of high prosperity is on the side of physical resources, not on the side of money or credit. If credit on easy terms were available to everyone at a time when the economy is already working close to capacity, the consequence would be a scramble for limited resources and a cumulative bidding up of prices. If taxes were simultaneously reduced and expenditures increased, this inflationary process would only be speeded up. A government that sought to prolong prosperity by such devices would be taking a road that all too often has ended in disaster."

It's Not the Height, It's the Rapidity

"Disaster" is an ominous word but many voices are being heard today warning that the increase in private debt means just that. The "great debate" of the moment is whether the rise is leading to prosperity or depression. There's a point of view in between these extremes which holds that with debt it's not the height, it's the rapidity of the rise. Economists and editorial writers and speakers can discuss pros and cons but monetary policy makers must act and take the responsibility.

The present purpose of the credit policy authorities in the Government is apparently to slow down the pace of expansion without reversing the upward direction of business activity.

Viewers with Alarm

Those who see depression and all sorts of trouble ahead if the reins are not pulled up sharply point to a 10-year increase of private debt from \$140-billion to \$360-billion. Consumer credit, including charge accounts, personal and instalment loans were about \$8-

billion at the end of 1946 and are now around \$33-billion. Mortgage debt has increased from \$35-billion to more than \$112-billion.

Consumer credit, they point out, is at its highest in history compared to consumer disposable income.

Viewers with Confidence

On the other side of this debate are the great majority of economists and pulse takers in government and business. They see debt expansion as a necessary part of growth in the use of our productive capacity and not as evidence of speculation or a spending spree.

One of the most persuasive exponents of this viewpoint is Arno Johnson, vice-president and director of research of the J. Walter Thompson Advertising Agency. In order to avoid serious unemployment and continue a healthy expansion of our national economy, he says we must sell \$40-billion more in goods and services in 1956 than in 1955, with emphasis on *sell*. This would bring the level of personal consumption to \$277-billion, about 10% above the peak of \$250.5-billion reached in the second quarter of this year.

"Total discretionary spending power," he says "for our entire population, which reached a level of \$145.0-billion in the first quarter of 1955 was nearly 5½ times as great as the \$26.9-billion in 1940. That is the surplus spending power over and above what would be required to supply a per capita standard of living for the basic necessities of food, clothing, and shelter equivalent to the 1940 actual standard of living after taking into account present prices. This could reach \$195-billion in 1960 or 1/3 greater than 1955 and, on the basis of the \$500-billion production goal in 1965, the discretionary spending power could reach \$240-billion or an increase of 65% over the 1955 peak level.

"That represents a huge pool of purchasing power dependent upon the whim or discretion of the individuals as to how it is to be used. People have the money now to select and choose between an infinite variety of items beyond the bare necessities. Many will add new products or services or will increase savings and investments, others will increase their basic expenditures for better clothing, or housing.

"In 1955 discretionary spending power represented 58% of total disposable income, after taxes, whereas in 1940 it represented only 1/3 of the smaller total.

Consumer Credit Could Safely Expand By 60% in 1956

"An added source of purchasing power is the fact that consumer short term credit is *low* in relation to discretionary spending power. The present level of consumer credit at about \$32-billion worries some—it is about four times the \$8-billion level of 1940. But consumer discretionary spending power, in 1956, is expected to be *six* times the 1940 level.

"The ratio of consumer credit to discretionary spending power has dropped from 31% in 1940 to about 22%. This means that consumer credit—instalment sales, charge accounts, and personal loans—could expand by 60% over the high 1955 level without being overextended in relation to discretionary income. Just to reach the 1940 ratio could add about \$20-billion to current purchasing power.

WILLIAM R. KUHN

BANKING

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